

# HOUSING PROBLEMS OF THE ELDERLY

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HEARINGS  
BEFORE THE  
SUBCOMMITTEE ON  
HOUSING FOR THE ELDERLY  
OF THE  
SPECIAL COMMITTEE ON AGING  
UNITED STATES SENATE  
EIGHTY-EIGHTH CONGRESS  
SECOND SESSION

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Part 3.—San Francisco, Calif.

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JANUARY 11, 1964

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NOTE.—Three hearings on housing were held and they are identified as follows:

- Part 1—Washington, D.C., Dec. 11, 1963.
- Part 2—Los Angeles, Calif., Jan. 9, 1964.
- Part 3—San Francisco, Calif., Jan. 11, 1964.

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## HOUSING PROBLEMS OF THE ELDERLY

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SATURDAY, JANUARY 11, 1964

SUBCOMMITTEE ON HOUSING FOR THE ELDERLY  
OF THE SENATE SPECIAL COMMITTEE ON AGING,  
*San Francisco, Calif.*

The subcommittee met at 10 a.m. in the Yerba Buena Senior Citizens Center, Golden Gate Avenue and Buchanan Streets, San Francisco, Calif., Senator Frank E. Moss presiding.

Present: Senator Frank E. Moss (chairman) and Senator Harrison A. Williams, Jr.

Also present: J. William Norman, Jr., committee staff director; John Guy Miller, minority staff director; and Frank C. Frantz, professional staff, Subcommittee on Housing for the Elderly.

Senator Moss. The hearing will now come to order.

It is a pleasure to welcome you to this hearing of the Senate Special Committee on Aging.

This is the second hearing in California of our Subcommittee on Housing for the Elderly. We are here to gather information on how our programs of Federal assistance to sponsors of housing for the elderly are working out and on the additions and improvements which might be made to these programs.

This is an official hearing of the U.S. Senate. Everything that is said here will be taken down by a reporter and will be considered as we formulate our report to the Senate. A hearing such as this is an important part of the legislative process of our country. It is one of the major ways in which the information and ideas of people concerned with the problems of our older population are brought to the attention of the Congress.

The two major programs that assist private nonprofit groups to provide housing for older people are based on laws which were passed by the Congress in 1959 and expanded in 1961. These are a direct loan program in which long-term, low-interest loans may be made to nonprofit sponsors to finance the construction of rental housing, and a program of mortgage insurance through the Federal Housing Administration to assist in the financing of this kind of housing by private lenders.

Our present project is to review, after almost 5 years of operation, the accomplishments of these programs. We have accumulated information on the numbers of dwelling units that have been built, the construction costs, and rent levels.

What we need to learn from those who are actually engaged in providing this housing is how well the programs are helping them to meet actual needs in their communities and what we in the Congress can do to make the programs more responsive to the needs which they see.

Here in California there is more new housing being produced for older people than in any of the other States. We have come here, therefore, to get the benefit of your experience.

In Los Angeles last Thursday we heard a number of constructive suggestions for improvements in our programs. The witnesses we have scheduled here today represent a broad range of experience in analyzing the housing needs of older people and in building and financing of housing, and we look forward to making a very helpful record here of what we should be doing that perhaps we are not, and what we can be doing better than we are.

I have with me today Senator Williams of New Jersey who is a member of the Subcommittee on Housing for the Elderly.

Senator Williams also heads a subcommittee of his own, another subcommittee of the Senate Special Committee on Aging. His subcommittee has to do with frauds, misrepresentations, and quackery which victimize older people. He will be conducting hearings in San Francisco on Monday.

Also sitting with me are members of the staff of the Committee on Aging who will participate in this hearing. They will be asked if they have any questions or any comments to make. They will make those as we proceed with the hearing.

Now, we have a number of people to hear, and we are anxious to make a good record so that the committee can consider all of the facts that will be presented to it. When the hearing has been concluded, this hearing, the one in Los Angeles, hearings that we held in Washington, will all be printed. People who are interested in getting a copy of the printed record can do so simply by sending a letter or card to the Committee on Aging, or to me, or to Senator Williams, or any other member of the committee. We will send it out.

What we propose to do, after we have gathered as much data as we can, is to work out a report to the Senate. This we hope—we can't say what the timetable is exactly—but we would hope that sometime in February we ought to have completed our work and be able to report to the Senate on our findings.

Now, I am going to call various people who have been asked to come and testify here. We may proceed in whatever is the most convenient way for the witnesses. Very often a good way is to have the witness present his written statement, which we will put in the record in toto, and then simply comment on the highlights of it.

But some witnesses prefer to stick right with the text and to read the statement. That is proper to do. Each one must decide for himself how he would like to proceed. We would, of course, like to ask questions to clarify any parts that seem to us need clarification as we move along.

We are happy to have this morning as our opening witness one of your California senators, Hon. Samuel Geddes, of the 11th district. We will have Senator Geddes first.

If you will, come forward, please, Senator Geddes, and give us the benefit of your views on this matter.

Senator Geddes, I believe, is a builder, besides being a senator.

Is that correct?

Senator GEDDES. Correct.

STATEMENT OF HON. SAMUEL R. GEDDES, SENATOR, 11TH DISTRICT  
(NAPA-YOLO COUNTIES)

Senator GEDDES. Senator, members of the committee, and also I am glad to see Senator Williams here, from my home State, New Jersey.

Senator WILLIAMS. What part of the State, by the way?

Senator GEDDES. One of the nicest parts, Jersey City.

Senator WILLIAMS. Well, I share that feeling. I carried that county by 75,000.

Senator GEDDES. Gentlemen, I was asked here. I got this notice in the mail to appear here this morning. I have appeared before other committees, and I have been particularly interested in the subject which you are looking into here in California, as well as in the United States, and I can say so far, in the brief statements I have made, I have learned to boil down presentations, because I don't have time to read them all.

I figure when I get a short one I will read it.

Senator Moss. Very good.

Senator GEDDES. After visiting many projects in California, I know we are doing a very bad job in producing low-cost housing for a majority of our senior citizens.

These projects which I have visited do not furnish low-cost housing which is so badly needed. The Federal Government provides low-interest loans for construction of senior citizen housing, but the majority of our elderly people cannot afford to rent or to buy the housing provided. We are furnishing housing for a large segment of our senior citizens that can hardly be classified as needy.

Under the Federal group, promoters make profits and affluent senior citizens get a housing subsidy they don't need. There should be an immediate investigation carried on by the Federal Government to call a halt to the subsidization of builders and real estate men and other groups to build homes on the desert and in other isolated places for our senior citizens.

This money should go to the needy, not the greedy. As a builder and a real estate man myself, housing for the aged is a greater problem than medical care for the aged.

I want to call your attention to the fact that the prevailing monthly payments or rents in senior citizen housing projects are \$85 to \$175. People who retire on social security are in the majority and can afford only \$35 to \$50 a month.

Some so-called nonprofit groups are getting 90- to 100-percent loans and paying enormous salaries for management services.

Housing for the elderly, which I am particularly interested in, should be considered in all its phases largely from the viewpoint of deinstitutionalizing public housing.

The essential fact we must keep in mind when talking about housing for the elderly is that, by and large, it must in some form or the other be publicly assisted. About 15 percent of all persons over 65 have cash incomes of \$20 a week or less, and the proportion of older people with really adequate retirement incomes is inconsequential.

Because of the continuing devaluation of money versus pension amounts fixed by accumulation of funds in eras when money was worth

more, this will continue to be true. The absolute number of people over 65 is steadily increasing, and their lifespan beyond that date is also steadily increasing, so the problem is going to get worse in the future instead of better.

For the first time in history, our tax money is being used for programs of slum clearance for the benefit of the well to do. Vast areas, usually containing much low-priced housing, are bulldozed to make way for luxury units at fantastic rents. The displaced people are simply shoved out of the area and into already overcrowded low-standard sections where their presence pushes up rents even more for those least able to afford higher rents. Alternatively, they are exiled to housing projects, often remote.

To prevent this from happening, I advocate that 10 percent of all units in redevelopment areas be reserved for low-cost housing, and I advocate that they be specially prepared for use by elderly people—wider doors for easy access by wheelchairs, et cetera.

This move would start to break the ugly pattern of low-income project "ghettoes" which must someday be broken anyway, if the open structure of our society is to survive.

Land cost is no argument against such a requirement. If 10 percent of the units must be reserved for such a purpose, this merely lowers the earning power and the value of the land condemned for the redevelopment purpose, just as a requirement that a certain proportion of it must be devoted to parks will do.

The "court" type of housing exemplified in motels is a unique American development and should point the way to low-cost housing units which are efficient and attractive, and which integrate people with existing neighborhoods instead of exiling them.

For the morale of the elderly, this type of development is ideal, since it would not force them into an atmosphere alien to the attitudes they have established over the years. Efficiency apartments could be built at remarkably low cost.

In addition to homes of conventional construction, a completely satisfactory type of home that can supply all comforts at a minimum cost is what we used to call a "trailer" and which has now become just what its trade name says, a mobile home.

The advantages of this type of housing are privacy with ready accessibility, easy preparation and landscaping of the site, location of homes where they are most needed and where community life is near to the occupants, easy removal of homes to other areas when land use changes, possibility of building in small colonies instead of large ones, et cetera.

There are many excellent older hotels which can be remodeled into apartment hotels without any trouble for the use of older people, and special low-interest loans should be made available to private operators for this purpose.

The use of multistory already-existing structures with elevators and other hotel conveniences which are no longer useful as first-class hotels because of the building of new luxury hotels and motels would provide more and better shelter for the money than new construction for the one- and two-person family units characteristic of older people.

We must recognize that a very large percentage of Americans who are nominally homeowners are actually paying rent. Their houses

will never be paid out, but simply traded in on some other property.

I believe there should be no discrimination against older people in home purchases if they would rather live in a home than in an apartment. With the slow and steady price rise that will come from the pressures of population increase, no risk is taken in selling a house to an older person. As a matter of fact, downpayments could quite reasonably be done away with without harm to the security of loans. This would merely require an increase in the percentage of the loans that are guaranteed.

Our flush of prosperity since the war has blinded us to the fact that there is still a segment, probably as large as 20 percent of the population in California, which still needs Government-assisted housing.

The needs of older people cannot be divorced from the needs of low-income groups in general. We have got to stop this nonsense of thinking that everyone not on relief can own a home or pay the rents required of people in a housing-short State.

As a matter of fact, if we ever have a prolonged depression again, we will learn that perhaps 50 percent of all housing is really Government housing after all, and that most people have just been paying rent and taxes for housing they thought they owned.

We must again think about public housing, not necessarily on the grand project scale, but as part and parcel of our urban renewal and redevelopment programs, placed in the amounts needed in neighborhoods where people already live.

The exile of people to remotely located projects should stop. In many cases, these projects are so far away from things that savings in rent are taken up by increased transportation costs to and from work and to shopping centers which did not move with the removal of people to projects.

One does not lose his individuality or his need for privacy, or for intimate friendly contact as he grows older. Treatment of old people as a class who can be confined together on a large scale is condemning them to prison, although they are indeed guilty of no crime save that of growing old. In many cases it is condemning them to death. There is nothing so stultifying as the custodial atmosphere, one who is not sick before he enters a large institution where there are many sick people soon becomes ill himself. From the senile he takes on senility. The presence of the moribund all around him soon finds him merely waiting to die himself.

So I hope that we may soon have no institutions for the aged, outside of the necessary hospitals for the aged ill. The more we can do to keep people living in the natural and normal way they have lived all their lives, the better.

I think that more of the smaller rest homes are better solutions than more of the larger institutions, even for those aged people who cannot care for themselves.

Extension of close State supervision and occupational and other therapeutic services to them has improved the small private homes greatly. Even though they are not of the very best quality, I would prefer them to heavily populated municipal and county "old people's homes."

The big old people's homes are not prisons. At least I have never heard of a "revolt" in any one of them. But there is a dreadful simi-



larity to prison routine. Let me cite only the long, long night that begins after a 3:30 or 4 p.m. evening meal at a big one I know.

The smaller rest homes, where a client can get personal attention, real help, often love, from the generally good people that run them, ought to be helped to do the kind of a job they want to do.

Modernizing loans, short-term loans, even to stockpile foods when they are cheap, ought to be granted to them. There are 5,000 of these homes in California, and they care for a substantial part of our aged people who cannot care for themselves. It is possible that small hotels could also be developed into good rest homes.

I have compiled in here my observations from visiting many projects in the State of California, because I have been on the Governor's advisory committee for problems of the aging, as well as being on the housing commission. I can say so far that we are doing in California—I am not speaking for the rest of the United States, but in California we are not doing a very good job.

As I put in here, we are doing a bad job.

If I were looking, as a businessman, at the projects as I see them, these "glorified suede shoe salesman" projects which are going on, are not meeting the need. As I say, they are serving the greedy, not the needy.

We have a lot of citizens in the State of California that would need housing that have very, very little money. These projects which I have visited—and I have gone from one end of the State to the other—I just came back from my own little cruise myself, paid for by myself, down to southern California.

I went out there, and I have seen where they have reduced it now to 45 years of age. So your oldsters are getting younger instead of older.

Also, I don't know if you have collected any data on the cost of staying in these projects. I have compiled a lot of data on it, and I would be glad to send it to you. As I say, I have visited every one of these projects. I am not speaking just from hearsay. I have gone into them, seen the projects, whether it is 231, or whatever project they are working on or selling.

As I say, they have the old reminiscence to me of the Florida days where they get the people in there, especially these senior citizens, and rush them through these sweat shops, and take a little money away from them. Many of them have a big turnover.

I can tell you many projects in California which are not selling at the present time, that are idle, maybe as high as 50 percent. We are subsidizing, as I say, the greedy, not the needy, because many of these people which are buying in these projects can go anywhere and buy housing. They couldn't maybe buy with as small a payment down.

Also, we must take into consideration where many of these housing projects have been built. They are built in isolated land. I asked them why they build out there.

"The land is cheaper," they said.

Why do we discriminate against our senior citizens, our old folks? Why do we do that? That is just exactly what we are doing. We are practically putting them in jail, isolating them away from where their roots are down deep, where their dear ones are.

Their relatives are hard to get at. They are out there.

If you will take the time, you will see that the turnover in many of these projects is very big. For instance, how would you like to live in a project that is about 114 in the summertime? Would that be nice for your senior citizens?

This is something which should be prohibited. I think we should stop it. I say you can do it in Washington by refusing to subsidize these people. As I say, they are getting 90 or 100 percent loans. That is brought out in there.

They are out there isolated. Some people may so desire it, but very few of the people I know. There are people I know who are living, many thousands of them, in substandard buildings, houses, or hotels here in San Francisco or Los Angeles, in different areas, way below the standard places, rather than go to some of these places.

They are people. They have friends of years that they can't get to. It is costly to get there, and it is not cheap for upkeep. I mean their payments down there run \$175 a month.

Of course, if you take a big selling project that they have, they have newspaper ads, glorious folios that they put out. This is something that I think will take a little time, maybe a little more investigation. But you could do it. I would be glad, and I know other people would be very happy to give you this information.

I am a builder and have been in the building business all my life. I don't know everything about it, but I know a lot. I went through the war years. We have built housing by the thousands. We built 206, we built other public housing, and the biggest fight we have in California is, of course, an organization which I belong to.

One of them is some "gooks," the homebuilders, which say, the minute you talk about public housing, that we are talking about socialism, communism, or something out of this world, which is wrong. I don't see how we can furnish housing for our senior citizens, keep them out of these institutions, unless we somewhere give better subsidy to the builders, or whoever wanted to build these places.

We did it during the war, we did it after the war, with allocation of the projects. They had a certain amount of money that is spent.

We had one good project. I don't know if you have seen it. I will be glad to send you over the data on it. That was down in San Bernardino. I wish you could see the page ads they put in there against this project, because they had another bond issue.

It is a successful project. In California, it is one of the most successful projects I know. They are renting living quarters there, and good ones, on one floor. They are duplexes for people at \$35 a month, which includes a bedroom, living room, a dinette and kitchen.

And, as I say in this statement, the average age, of course, is not around 45 but around 70 years of age.

Senator Moss. Is this subsidized by the city, or how is it?

Senator GEDDES. The Federal Government comes in on that project. They had to have a bond issue. In other words, the local housing authority had to put a bond issue up, and they had already put several up. This was a new bond issue to increase the size.

It is not an isolated district in the town. It is right in town, right alongside of a school district, so the youth come along, children come along, they play in there. They see other people. They are in town. It is a good project.

I would be glad to send you that and show you how ruthless and selfish some people can be.

I am not going to take too much time. I am very much interested in what you are doing, gentlemen, really, sincerely, and honestly, and while I do say some kind of blunt statements in there, I do this because I don't want you to misinterpret what I really believe.

I sincerely hope that something can be done for housing for our senior citizens.

I live in a town up here. We have a State hospital. A big percentage of the people in there shouldn't be in there. The only crime they have committed, they got old, and not being able to take good care of themselves, people want to get rid of them.

The cheapest way to get rid of them is to put them into these institutions. Many, many of them should be out of there if there was available some low-cost housing.

Senator Moss. You do not have public housing in California, I understand?

Senator GEDDES. Some spots.

Senator Moss. Do you have public housing here?

Senator GEDDES. Well, there is public housing in San Francisco.

Senator Moss. Well, I mean, traditionally, under the Public Housing Act.

Senator GEDDES. No. They have abolished it pretty much.

Senator Moss. I gather really what you are saying, Senator Geddes, is that we should subsidize to some degree housing for the elderly who are not able to pay the going rentals—

Senator GEDDES. That is right.

Senator Moss (continuing). When it is housing built by normal process. That is a profitmaking institution or nonprofitmaking institution?

Senator GEDDES. When I made my statement here, I have the able-bodied elderly, and some of them which are not. Most of them, the majority of them, are able to take care of themselves. Maybe they need a little medical assistance once in a while.

I think, if I remember right, originally this act was put through with that in mind, having also medical aid.

Now, this has been fought here quite a bit, because they put a cloak on it. It might be socialism.

I think the FHA in California is doing a good job. I think it will do a better job if they get the tools to work with. I know that the boys here are sincerely interested in this problem that you are interested in, but they will have to have either some curtailment of these 40-year loans and 90 or 100 percent to somewhat of a so-called non-profit organization, which isn't so many times. These fellows boast of high salaries and expenses. I thought maybe you could, sometime during your investigation, investigate some of these, because you will find out what I am telling you.

Senator Moss. You also were pointing out that you didn't think that the type of housing where you build a village, a remote village for the older people, was satisfactory. It ought to be in town or in their old neighborhood.

Senator GEDDES. Well, as I say, the only crime they have committed, they have gotten old. It is just like putting them in jail, putting them

way out there. They usually fence them in. They are 28 to 100 miles out of town. There is a lot of desert country out there. A number of them are being built right now in California.

Now, I don't know how they are going to fare. As I say, they have nothing to lose—these promoters on these projects. They have everything to gain, if nobody ever buys a house. The Federal Government is insuring those loans.

Senator MOSS. They have the 100-percent type?

Senator GEDDES. That is right. Many of them have 100-percent type.

Senator MOSS. Well, thank you, Senator Geddes.

Senator WILLIAMS, would you like to question or comment?

Senator WILLIAMS. I have listened carefully, and also had a chance to read your prepared statement, and find it very useful, Senator. Thank you.

Senator GEDDES. Thank you very much for this privilege.

Senator MOSS. Thank you very much, Senator. Your full statement, of course, will appear in the record, and your comments, also. We appreciate it.

Senator GEDDES. I hope our efforts are not in vain. Thank you.

Senator MOSS. Fine. Very good.

Mr. NEWELL. Senator Moss, may I arise to a point of order?

Senator MOSS. Well, this isn't exactly the way we are conducting this hearing. Do you have a question you would like to ask me?

Mr. NEWELL. I have a little experience as an elderly citizen with respect to housing that I think would be very interesting. It would be a diversion, and it will be a very interesting situation, if you would allow me to have about 2 minutes on it.

Senator MOSS. Well, we will try to find the time to hear witnesses who are not on the schedule. We will be glad to do that, sir. I think we will have a chance this morning.

I would like to complete those that are on the agenda right now, though; and then I will call on you.

Mr. NEWELL. Yes. I have a very interesting experience that will be interesting to all people over 70 years old.

Senator MOSS. Very good. We will get to you then, sir.

Our next witness is the Honorable Philip Burton, California assemblyman from San Francisco and an old friend of mine. Glad to have you here, Phil.

#### STATEMENT OF HON. PHILIP BURTON, ASSEMBLYMAN, CHAIRMAN, COMMITTEE ON SOCIAL WELFARE, CALIFORNIA ASSEMBLY

Mr. BURTON. Thank you, Senator.

I would like to identify myself. Assemblyman Philip Burton, chairman of the Assembly Committee on Social Welfare, 995 Market Street, San Francisco.

We would like to welcome and commend you, Senator Moss and Senator Williams, for coming here today.

This problem of adequate housing for the elderly, of course, is a very grave one throughout the country, in our State, and particularly so here in San Francisco.

There are two specific points I would like to underscore, and then a few general facts I think might be of interest to the members of the committee.

The two points I would like to underscore deal with the proposals contained in Senator Clark's bill, S. 1170. This bill, the proposed Housing for the Elderly Act, contains two sections of particular interest to us in San Francisco; and I would hope this committee would recommend them to the Senate.

The first of these is the section which would amend the direct loan program under the Community Facilities Administration to permit local housing authorities to participate in the direct loan program.

Our local housing authority here in San Francisco, incidentally, is responsible for the construction and administration of this project that we are meeting in today.

The second point in Senator Clark's bill that would be of particular help to us would be the section permitting the reimbursement to local redevelopment agencies any amounts they lose when they sell land at a written down rate to nonprofit organizations who will use the land to build housing for the elderly, or primarily for the elderly.

In California, in 1960, we had 1,360,000 persons over the age of 65. The number of those over the age of 65 in this State is increasing at the rate of about 40,000 a year. So today we have in the neighborhood of, as your staff pointed out, 1,500,000 persons over the age of 65.

Of that 1½ million persons, we have approximately 263,000 who are recipients of public assistance; roughly 17 percent of the total number of aged in the State.

Now, it has occurred to the legislature, and Senator Geddes, the preceding speaker, introduced legislation in 1961, and then again in 1963, providing that the public assistance program permit a supplemental rent allowance for housing made available through a nonprofit mechanism for the elderly.

At my instance, as of the first of this year, our State department of social welfare is permitting a 20 percent rent supplement for the 263,000 old age security recipients under the following formula:

Our public assistance program permits rent as paid in the allowance that we give up to \$63 a month for any single person, or for a married couple, rent as paid for the couple up to \$90 a month.

As of the first of this January, we will permit a 20 percent increment for rent in addition to the \$63 for single persons, or \$90 for married couples, where there is nonprofit housing for the elderly.

We think this tool will permit, in the long run, a rent allowance that will make it possible—if you give us the tools to build the housing—that will make it possible for a considerable number of the elderly in this State to have adequate housing.

However, when the cost estimates of this proposal were given to us, it was admitted that there will be no more than approximately 1,700 to 2,000 such units—that is nonprofit housing for the elderly—built in this State in the next couple of years, including existing projects. So that is a couple of thousand units in a population of at least a million and a half, or a population, just in terms of public assistance recipients, of 263,000. Literally, just a drop in the bucket.

Now, here in San Francisco we have a project, the Jones Methodist Church, that is currently on the drawing board. I don't mean to

usurp the testimony of one of their representatives, but I don't see that their speaker is here this morning, and I am sure that if they speak they will amplify on their own situation and problem.

This housing development, providing from 27 to 30 units for the elderly, built on church property by a church nonprofit institution, probably will not be able to provide rents for any less than \$85 to \$87 a month for single persons, so this leads us to a number of conclusions.

In a city such as San Francisco, where land values are so high, we need more Federal assistance in the nature of direct loans, and in the nature of reimbursements to redevelopment agencies so that they can sell the land below cost. This would make it much more feasible for us to provide rents that, even under our public assistance scale, are a realistic rent structure.

Now, Senator Geddes had pointed out that, by and large, these housing developments for the elderly are in remote areas. Well, land cost is a major factor and, certainly, if we are to have any housing for older persons in this city, we need material assistance of the kind I have described.

The elderly population of our city runs close to 100,000 of the 750,000 people we have in the city, and, as is happening in all urban centers throughout the country, this percentage is increasing.

The amount of housing that we have in this State at a low rent is almost negligible. Perhaps there are as many as 150 units for 100,000 persons in this city.

We in California, ever since 1950 when the voters of the State approved an amendment to our State constitution requiring local subdivisions, local political subdivisions, to have a vote of the electorate before public housing units may be authorized, this requirement has, for all intents and purposes, abolished public housing in California.

With a few minor exceptions, there has been no public housing authorized in this State since 1950. And in a city as relatively liberal as our own, we have not authorized a single unit in 13 years of additional public housing, apart from that which had been authorized prior to the adoption of this constitutional amendment.

We are currently debating, and the press by and large appears to be assuming the posture, that it is politically unfeasible for us to even consider placing on the ballot additional public housing units.

Now, if you gentlemen have the opportunity to visit the variety of "pension ghettos" that exist in this city, and I am certain exist in most other urban centers throughout the country, you would be somewhat taken aback at the lack of safety standards that of necessity exist in these older dwellings.

You would be concerned about the damp, unwholesome conditions in these buildings. Many older persons are arthritic. I have personally observed and have talked to, I think, literally over 10,000 persons over the age of 65 within a radius of  $2\frac{1}{2}$  miles of this hearing room.

When you hear such stories as one of these old timers coming up to you and saying, "Mr. Burton, I have lived here for 7 years now, and though my room isn't much it is all I can afford. If I live in this hotel another year I will have enough seniority here so I can move to the sunny side of the hotel. I have got arthritis, and I believe I will feel much better if I can just get to the sunny side of this hotel."

Private capital cannot meet all of the housing needs of the elderly, and public intervention is absolutely vital. It is vital in terms of additional public housing authorization. It is vital to permit public housing authorities to participate in the direct loan program where other sponsors are not meeting the housing needs. It is vital to provide for reimbursement of redevelopment agencies to enable them to make urban land available at nominal cost for needed housing. It is vital to have a frank rent supplement program. Even then I suspect we will barely begin to scratch the problems, at least as it affects the older persons in this State.

The housing needs of the elderly have a direct impact on the health costs borne in many instances to some degree by public programs of county, State, or Federal Government, through Kerr-Mills, and hopefully medicare under the Social Security Act.

But when we have elderly persons living in substandard, unhealthy, unsanitary dwellings, we pick up some part of that price when these people have a higher incidence of health needs and health care.

Finally, it is really no solution for the public generally to say they are opposed to public intervention and public credit in this area of housing for the elderly because, by and large, a very significant number of these older persons are having their substandard, slum dwelling rents being paid for with public dollars through the public assistance program or, for that matter, through the social security trust fund dollars, which, of course, are earned by the beneficiaries themselves.

So we are picking up the tab right now, in terms of rent. We are having added burdens in terms of health care.

So I urgently recommend that this committee in its report make due note of the fact that, really, to a considerable extent, any added costs that may be involved in the adoption of a meaningful program of Federal assistance for housing the elderly will be offset; or, at least, we will be getting full value for public moneys we are already spending on slum housing for the elderly, that we are paying to slum landlords for the housing that no one would want to live in unless driven by necessity.

That, gentlemen, is my statement to the committee.

Senator Moss. Thank you very much, Mr. Burton. That was a very eloquent statement, and I compliment you on it.

The fact is that our older people, as a class, fall in the very low income group. Many of them are living just on social security, some on direct public assistance, welfare, and a relatively small number—we had the figures the other day—a very small number of older people have a medium or high income.

For that reason, there has to be some attention given to how they can be provided with decent housing that they can afford on the limited income they have.

One point that you make well is the problem of the cost of acquiring land on which the housing can be built. In a city like San Francisco, constricted in area, land prices are high. If people are going to live in the city, the cost of land is high.

Another factor might be that of dealing with the tax rate on land of that sort. This would fall on the city and county, perhaps in adjustment of tax rates, so that rents could be kept at a low figure.

Mr. BURTON. May I underscore that?

Apart from the reimbursement to the redevelopment authorities for writing down land cost, if you could possibly, with controls that would satisfy the Congress, provide some supplementation in terms of an in-lieu tax structure by direct Federal payment, it would be a very important adjunct.

I hadn't dreamed that such a wise step was politically feasible but, Senator, this is an excellent point, and one that is the necessary step, I think, to get meaningful implementation of the suggestion of permitting the redevelopment agencies to write down the cost of the land.

Senator Moss. I think you have given us a very eloquent statement on the problem, and certainly it is a problem that is acute, I think, here and in all large cities.

Senator Williams, do you have any comments?

Senator WILLIAMS. Well, to echo your observation, it has been a most eloquent and thoughtful statement of Assemblyman Burton.

Tell me, does the city of San Francisco have any rent control authorities?

Mr. BURTON. None whatsoever, and rents in this town are criminally high. It is incredible the kind of rents that people must pay. And in that connection I might say, paradoxically—I am proud of this because I have been chairman of our welfare committee for 5 years—but, in fact, gentlemen, public assistance recipients' average income is higher than the social security recipients. But for Colorado, we are the only State in the Nation where this is true.

Now, about 55 percent of our public assistance recipients also have social security, but incredible as it may sound, those who have earned their social security benefits have a smaller monthly or annual income than public assistance recipients.

Isn't that incredible? And that is a fact. Social security recipients have even a greater burden than public assistance. The social security beneficiary without public assistance, their financial problem and rent problem is even more aggravated than the public assistance problem is.

Senator WILLIAMS. Do you say, in the public assistance area, under a formula, there is an amount earmarked for rent?

Mr. BURTON. Yes. We provide a structure that runs roughly this way:

We provide \$86 a month minimum, plus rent, as paid, up to \$63 a month if you are single. That means if you are single you can get up to \$140 a month, and then if you eat restaurant meals out you can get another \$20 a month.

Now, we have permitted on top of that a 20-percent rent supplement if the housing is nonprofit for the elderly. But bear in mind, when we did this, we anticipated the building of, I think, from 1,800 to 2,000 units total within the next 3 years, including that which currently exists. In a population of a million and a half elderly, or 263,000 public assistance recipients, this is just an absurdly low amount of housing.

But the fundamental point is that, though we have provided this mechanism as an inducement to building housing for the elderly by nonprofit organizations, and we will get some of that to help public assistance recipients, the bulk of our elderly in this State do not receive public assistance—some, as a matter of pride, do not even



though they need it. I wish that they would accept it, if they were otherwise eligible, but many will not.

But our social security beneficiaries will not even be helped by this rent supplement device. Therefore, our program will help the public assistance recipients to pay rent up to \$75, if you are single, you see. But that only helps 17 percent of our elderly. Of the other 83 percent, or about 73 percent, because 10 percent are in the working force, 10 or 12 percent, this other 73 percent will not be able to afford that kind of rent because they have no supplement structure in the social security payment.

So they are going to need the kind of Federal help that will be geared in a way that will permit the lower rent.

Am I making myself clear on that?

Senator MOSS. Yes, sir; I follow you.

Mr. BURTON. So you need both devices. In a sense, you get that rent at \$75, your public assistance recipients can meet it, but that is 17 percent of our people. The other 73 percent of the aged, nonworking part of the work force, will have to have a housing program that is structured in a way where the rent, per se, coming out of their pockets, is low enough that their income will permit them to take advantage of it, because they have no supplement in their income maintenance situation.

Senator WILLIAMS. Just one question, Mr. Burton.

You suggest that the direct loan program be broadened to include local housing authorities, is that right?

Mr. BURTON. Right.

Senator WILLIAMS. That is in the Clark bill?

Mr. BURTON. Yes.

Senator WILLIAMS. The problem I would think in California is, you don't have many communities with housing authorities, because you don't have public housing, which is generally the housing program that creates the stimulant to create a housing authority.

Mr. BURTON. As a holdover from the great impact of World War II, and of those authorities set up in a postwar era before 1950, we have on the books State authorization, and in most of our major communities—I would say communities affecting at least 90 percent of the population of the State—and others here can correct that figure or modify it—we have this mechanism of a local housing authority.

So this would be a mechanism that would substantially affect political subdivisions encompassing about 90 percent of the persons over the age of 65 in our State.

Senator MOSS. I would hazard a guess, that if this did develop, we enacted that part of the Clark bill, San Francisco would probably be one of the first to have the housing authority mechanism available.

I know the new mayor very well. I served with him in the House of Representatives, and I think the record reflects his warm and abiding support for housing of poor people.

Mr. BURTON. There is a related problem here that perhaps should be mentioned.

The urban centers throughout the country are involved in a variety of plans to redevelop. Now, to date, by and large, at least in California, urban renewal has been Negro removal, by and large, to date. But in the nature of things, looking at the census data, the projected

areas are heavily minority groups, but also heavily older persons. So we now are going to see a reduction in the available housing supply—low rent or high rent—but as bad as it is, we will have a reduction in the available housing supply when urban redevelopment takes place.

Now, in the absence of some kind of mechanism to replace this housing, certainly in the district I represent, if you put urban redevelopment on the ballot, it would not pass. The voters of the district I represent would reject urban redevelopment, because they see no tools for replacement housing for those redeveloped out of their homes or apartments.

So to the extent there is interest and meaning in fully implementing a redevelopment program, some of the proposals you gentlemen have suggested, and that I have noted, are necessary tools, or we will find, at least in this community, a major political clash. I for one would take the position that I oppose any further redevelopment until we know with certainty that at the end construction, there will be available this replacement housing, which includes additional housing for the elderly.

So I submit that in the short run, and certainly in the long run—the next 5 or 6 years—redevelopment in areas like this, and I suppose in many of the urban centers throughout the country, will be in great issue, if not drawn to a halt, unless such a mechanism as we have suggested or variety of them, are provided as additional tools.

Senator Moss. Very good. Thank you very much.

Senator WILLIAMS. Are you in your home district here, Phil?

Mr. BURTON. Well, this is the district now, and on February 18, maybe they are going to send me to Congress, so I can join you and Ted.

Senator WILLIAMS. You have got a lot of voters here.

Mr. BURTON. Well, we do pretty well. When we get over the age of about 55, we do fairly well.

Senator Moss. Our next witness will be Mrs. A. M. G. Russell, who is chairman of the Citizens' Advisory Committee on Aging, State of California.

Mrs. Russell, we are happy to have you come and testify this morning. You may proceed either by reading your statement, or you may put it in the record and comment on it; just however you would like to do it.

Mrs. RUSSELL. If I may, I should like to read it. It is a statement of the committee, not a personal statement.

Senator Moss. Very good.

Would you introduce the gentlemen who are with you?

#### **STATEMENT OF MRS. ALBERT M. G. RUSSELL, CHAIRMAN, CITIZENS' ADVISORY COMMITTEE ON AGING**

Mrs. RUSSELL. I have with me Mr. Leo McCarthy, of San Francisco, who is a member of the citizens' advisory committee on aging, and recently elected to the Board of Supervisors of San Francisco.

On my left is Mr. William Bechill, our executive secretary.

My name is Mrs. A. M. G. Russell. I am chairman of the Citizens' Advisory Committee on Aging of the State of California. The committee is a statutory body in State government established by the leg-

islature to advise the Governor on the needs and problems of California's older citizens. It is composed of eight citizens appointed by the Governor and four members of the legislature, two from the senate and two from the assembly, appointed by their respective houses.

As citizens appointed by the Governor, we are interested in encouraging action to provide more adequate housing, medical care, income, employment, and educational and recreational opportunities for older people in California, through both voluntary and public efforts. In the case of housing, we know that it is an important need of older people if they are to have a decent life. But, we also know from our past studies and hearings of the realistic difficulties and hardships faced by older people in securing adequate and appropriate housing, particularly if living on low or moderate incomes.

The committee is ever mindful of the fact that about one-half of all older couples in California living alone have cash incomes under \$3,000, and one-third have incomes under \$2,000. Single older people are even in a more disadvantaged position with one-half having incomes under \$1,200 a year or less. Also, we know that the present needs for more adequate housing and choices of housing by older people will increase markedly in the future. Today, there are nearly 1,600,000 aged 65 and over in California. By 1980, our department of finance estimates that this number will increase to about 2,700,000 people.

It is clear that the present efforts in every field affecting older people, particularly housing, will have to be redoubled just to keep pace.

#### SPECIFIC COMMENTS ON FEDERAL HOUSING PROGRAMS FOR THE ELDERLY

We are here today, as you have requested, to submit our comments on the present housing programs of HHFA, designed to provide independent housing for older people. While we realize that your primary interest rests with the 202 and 231 programs, we would also like to comment on the role of the low-rent public housing program of PHA, with your permission.

##### 1. LOW-RENT PUBLIC HOUSING

Of all the Federal programs, the low-rent public housing program should be the greatest resource for housing low-income people in California. The fact is, however, that, as of July 1963 only 3,215 dwelling units of a total of over 25,000 public housing units in California are occupied by elderly families or individuals. We understand that there will be later testimony today that will provide more current information.

To show how extremely small this supply is, the Governor's advisory commission on housing problems, in their report, "Housing in California," estimated that if only 10 percent of the older people now living with relatives or in rooming houses on low incomes were to apply for public housing, their number would exceed the total supply for all public housing units in the State.

The major barrier to much broader use of public housing for older people in California is the result of an amendment of the State constitution, approved by the voters in 1950, which requires a referendum for approval of any proposed project of a local housing authority.

Despite the referendum requirement, several localities have been, and are still able to achieve public housing as a result of good interpretation and understanding. But, it remains a prohibitive and discouraging requirement in the main. Whatever justification there might have been in the past, we think that the present situation indicates clearly that there should be some modification of the referendum requirement in the case of housing older people. Otherwise, we believe that California will continue to be deprived of making full use of this important program to help low-income older people who need decent housing.

## 2. THE DIRECT LOAN PROGRAM

As both a member of the committee, and as a member of the Peninsula Volunteers, the sponsor of the first 202 housing completed in California, the Partridge Avenue Apartments in Menlo Park, we have had an intimate concern for the success of this program. However, despite substantial interest by many nonprofit groups in the program, the actual volume of housing provided to date has been comparatively limited. According to the most recent information we have from the regional office of CFA, 5 projects are completed and occupied, with a total number of 348 units; 2 projects are under construction, with a total of 69 units; 4 projects have a loan commitment for a total of 459 units; and, in process, are applications for an estimated 715 units.

Some of the problems regarding the use of the 202 program in California were among the major subjects of a public hearing conducted by the committee in Sacramento last summer. We received testimony from several witnesses, including sponsors of 202 housing. It was a constructive hearing and we received excellent assistance from Mr. Paul Emmert, regional director, CFA, and his staff, in planning the hearing and later discussions as to the problems which were identified.

Among these were the following:

(a) There was a general expression of the need to expedite processing of applications and negotiations between CFA and the sponsor. The present length of time involved in these procedures was felt to be most discouraging. Specifically, it was suggested that simplified procedures be developed regarding provision of requirement information, and other procedures be developed to establish a date of completion and/or date of note signing, within a specified time not to exceed a national maximum period established by law.

(b) It was suggested that CFA provide a detailed outline of policies and steps in the application process in the form of a manual for potential sponsors. This would assist the sponsor in having specific understanding of his responsibilities and program requirements that must be made to qualify for a loan.

(c) It was strongly urged that there be funds advanced to sponsors for initial organizational and developmental expenses. CFA now recognizes this need, and under a recent change of policy, now permits payment from loan proceeds for reasonable organizational and developmental expenses.

(d) It was recommended that more technical assistance by CFA staff was needed by sponsors to determine project feasibility. It was pointed out that most nonprofit sponsors are handicapped to do the

kind of research and market analysis of feasibility. It was reported that this was causing considerable expense for sponsors in order to ready an application for submission. This gap in the program has since been closed. CFA can now review with any applicant his estimate of the market demand before there is any authorization of architectural drawings, preparing of an application, or purchase of land. This should be a very valuable service to future sponsors.

(e) Finally, the most important problem was the restriction on the use of the program because of its cost requirements in the larger cities or where similar projects were planned. In the case of projects under 50 units, it was felt that costs could be substantially lower if the construction could be submitted with residential contractors rather than on a competitive bid basis. In the case of projects in large cities, we received very explicit testimony which listed the roadblocks that an organization in San Francisco had encountered in a proposal to provide moderate cost housing at rentals of \$65 to \$85 monthly, in a central section of the city where land use density requirements often rule out anything but high-rise housing which was above the range of the proposed project.

As a committee of citizens, with strong appreciation of the contributions that can be made by nonprofit organizations in supporting programs for older people, we are planning to conduct, in cooperation with representatives of the Federal housing programs, a series of meetings this year, for the purpose of acquainting a number of nonprofit groups with the Federal housing programs. We hope that these meetings will result in the stimulation of a broader number of interested organizations who may wish to sponsor senior housing.

### 3. THE FHIA 231 PROGRAM

As the table shows, greater use of the 231 program has been made in California than the direct loan program. There are probably many reasons for this, including the fact that it is available to both nonprofit and profit motivated sponsors. While we do not wish to minimize the importance of this program which has produced some very attractive housing, the rentals charged under the program are geared to only higher income older people in the main. The final rental charged is dependent on the individual project, which can range to independent housing solely to an extensive program where meals, medical care, recreational rooms, chapels, auditoriums, and libraries are provided. The average project in California has tended to be planned with several of these services included.

As presently constituted, the rental housing provision of the 231 program offer advantages for only that segment of the older population which is able to afford the type of housing it has generated. Nevertheless, it has proved to be a program which does offer a broad range and choice of housing and living arrangements and permits flexibility in planning by potential sponsors.

(The table referred to is as follows:)

*Federal housing programs for the elderly in California, by section,  
Oct. 30, 1968<sup>1</sup>*

	Completed		Under construction		Loans or commitments		Applications in process	
	Number	Units	Number	Units	Number	Units	Number	Units
202.....	5	348	1	21	5	509	4	715
207.....	3	187	0	0	0	0	0	0
231 nonprofit.....	8	1,440	6	1,382	2	305	9	2,768
231 profitmaking.....	5	653	8	1,774	3	377	5	1,718
PHA.....	6	493	14	824				
Total.....	27	3,121	29	4,001	10	1,121	10	5,201

<sup>1</sup> Source: Regional offices, HHFA, CFA, and PHA, San Francisco.

#### SUMMARY

Mrs. RUSSELL. While California has had the greatest amount of activity under these programs of any State, it has not been enough to meet the varied needs which exist in any significant quantity, particularly for older Californians with low or moderate incomes in need of more satisfactory housing. This is an area where crucial and priority attention must be given since this is where the greatest needs are.

We think that the present programs have been a good beginning; have stimulated broad interest in the various specific housing problems of older people; and have given interested persons at the State and local level experience in understanding the present limitations and strengths of the various programs. We request that the foremost emphasis be given at the Federal level to strengthening the present programs geared to the low- or moderate-income older people and the development of new and additional means to meet their needs for decent housing, whether living in rural or urban communities or in their own homes or renting.

We request that particular examination be given to any steps that would strengthen the 202 direct loan program so that its cost requirements are reduced, its procedures further simplified, and any feasible steps taken that could reduce the average rentals in future projects.

We believe that this emphasis is in accord with the goals outlined by the President in his recent state of the Union message for an unconditional war on poverty in the United States. We are gratified that one of the weapons will be a revised housing and urban renewal program that will give greater emphasis to providing more assistance to older people who lack decent housing.

#### CONCLUSION

It would be incorrect if we left you with the impression that the Governor and his administration believe that the matter of adequate housing is solely a Federal responsibility. To the contrary, the Governor has supported several legislative efforts during his administra-

tion specifically directed to improving housing conditions of older people and low-income persons.

The Governor has recommended legislation which has been enacted to substantially increase the grants and allowances for housing for persons receiving old-age assistance. In addition, he requested the two recent policy changes authorized by the director of social welfare regarding housing which were described in detail during your hearing last Thursday, in Los Angeles, by representatives of the department. The change which increases the maximum allowance for rental housing constructed specifically for older people, if operated on a nonprofit basis, and publicly financed, is very significant. It should be a major incentive to making available more low- and moderate-cost housing to older people in California.

However, the Governor has experienced some obstacles in his efforts to establish a State housing program that could assist older persons in receiving assistance, and other groups in our population whose housing needs are acute. For example, in 1961, the Governor recommended legislation which resulted in the creation of a Governor's advisory commission on housing problems to conduct a 2-year comprehensive study of California's housing needs. The work of the commission was outstanding, and their series of reports drew favorable comments for their excellence from many knowledgeable national authorities in housing and community development.

In 1963, the Governor recommended legislation to implement certain of the findings and recommendations made by the commission. The proposed bill would have created a department of housing and community development which would have had such functions as providing technical assistance to potential sponsors of housing; conducting market analysis of housing needs of the State; and a program of loans and grants for pilot and demonstration projects designed to assist low-income families and individuals, including older people.

The legislation passed by the assembly by a substantial margin, but it met with opposition before the senate where it failed to win approval when heard in committee, despite good general support.

I am confident that the Governor remains determined to continue his support of legislation to establish a State housing program. He is particularly concerned with the acute seriousness of the need for low-cost housing—a priority area for many older citizens.

As recently as last week, he stated:

We find that some of our aged are forced to live in firetrap hotels. I want a housing commission which will not interfere with private business, but will come up with a long-range program of housing.

This is a clear statement of his intent and purpose, and we are going to give him all the support we can to achieve this objective for California.

Thank you.

Senator Moss. Thank you, Mrs. Russell. That was a very fine and comprehensive statement.

Do either of you gentlemen have any further comment to make?

Mr. BECHILL. Senator Moss, I hope you will have an opportunity to hear today, if he can be heard, Mr. Gerald Hill, who was the executive director of the Governor's advisory committee on housing problems, which produced this very outstanding report.

If he can't be heard, I hope very much that his full statement can be entered in the record.

Mr. Hill asked me to make this request. It is an excellent statement, and a very clear statement.

Senator Moss. Well, I can assure you it will be included in the record, and we will hear from Mr. Hill orally if time will permit, and I hope we can.

Now, in your statement, Mrs. Russell, you urge more action under 202 than we have had to date; is that correct?

Mrs. RUSSELL. Yes. This is the area with which I am personally most familiar, and in the projects which I have seen it has proved to be very, very effective. There are two local projects just south of here that are doing a fine job in providing housing at a reasonable rate for older citizens.

Senator Moss. I notice that you gave an average rental figure of these 231 projects, where many services are included, of about \$175. Is that a finding of yours?

Mrs. RUSSELL. This is an average figure. In many cases the rents are a great deal higher than this, although there is a possibility of their being lower, also.

Senator WILLIAMS. \$175?

Mrs. RUSSELL. Yes.

Many of the programs under this program in California, as they have developed, have been for a higher income group.

Senator Moss. It pretty well removes it from the availability of any people that have simply social security or modest pensions?

Mrs. RUSSELL. That is right.

Senator WILLIAMS. Well, I found this a magnificent statement. I think the Governor should be commended for having the wisdom to appoint Mrs. Russell as chairman of his advisory committee.

Oh, I might say, I notice that Rev. Lawrence Upton is here. He is the gentleman who first introduced us to the problems of the nonprofit groups in getting started, because they didn't have the money for organizational expenses.

We followed through, and I think we have made some progress there.

Mrs. RUSSELL. Yes, I understand there is.

Thank you very much.

Senator Moss. Thank you, Mrs. Russell.

Our next witness will be the Reverend Ross Hidy, pastor of St. Mark's Lutheran Church.

We are very happy to have you, Reverend Hidy.

**STATEMENT OF REV. ROSS HIDY, PASTOR, ST. MARK'S LUTHERAN CHURCH, SAN FRANCISCO, AND CHAIRMAN, COMMITTEE ON RESPONSIBILITY FOR OLDER PERSONS, CALIFORNIA-NEVADA COUNCIL OF CHURCHES**

Reverend HIDY. I would like to express appreciation for the invitation, Senator Moss, Senator Williams, and others of the committee.

I would like to make a comment before I explain about this picture. While now I am working with the Committee on Responsibility for Older Persons for the Northern California-Nevada Council of Churches, the material I will submit is really a summation of 3 years



of work for the San Francisco program for the aging, and the housing committee.

This was a cooperative venture of all the forces and agencies and groups within the city that are concerned with housing. I hope this encompasses some of the things we learned in our studies, our conferences, and our committee activities.

One of the things I would like to say by way of background to this is that one of the problems of housing of the aging in the city is so much of the city of San Francisco, as other communities, is constructed of frame buildings which do not adapt or permit rehabilitation for elderly housing because of the code and, secondly, that in a project such as this we find, not only from the standards of redevelopment, but also from the city code, the requirements for parking. There is a reluctance to grant a variation for parking in elderly housing, yet we know that many never use more than a 1-to-4 ratio. This requirement results in grievous economic penalties in the prices of elderly housing rents.

So some of these things are in the background.

Although our foundation grant is terminated for the San Francisco program for the aging, this work is now being continued under the United Crusade, and staff help is being given as this work moves ahead.

I would like to express a word of apology for not having a printed text. I would like to give you the reason for my doing this verbally. I was watching you fellows work on Tuesday. I was back in Washington Monday night and Tuesday as part of a conference of some church groups, and those who are active in elderly housing who were invited to meet with Mr. Frank Daniels, and some of the others with the HHFA, CFA, and FHA staff, to try to discuss certain implications of recent administrative rulings, and also see what we could do to interpret to each other the present roadblocks and bumps in the road, and things in a project like this that could mean a continuation of delays which could cost us, as a nonprofit sponsor, \$747 per month penalty.

This finally is reflected in rent. So I want to say a word of tribute to the FHA staff nationally, and regionally. I had better. They haven't given us our closing yet, and I am not that naive not to do it.

On the humorous side, despite the fact they think the same thing about us as we do about them, we know we have a lot to learn, and we think they have one or two things to learn, too. They are trying their best to help us. They are trying to process these applications. But I think that we found in our meeting in Washington on Tuesday morning with Mr. Daniels and the others that what we have here is a residual legacy of a procedural pattern of processing profit-oriented applications, especially single family, and an awareness has not developed of the meaning of nonprofit sponsorship.

They have agreed to meet with a committee sponsored and called by the National Council on Aging, and others, to prepare a manual to help guide sponsors in their work, and also to interpret to the FHA and the regional staff, and other staff, what their job is.

So I feel that I have a valid reason for not having a prepared text. Senator Moss. Continue.

Reverend Hix. I also want to say that these points have been cleared with some of the other leaders of some of the religious groups,

and I believe expresses some of the summations that we might suggest might be remembered as you look ahead to your legislative responsibilities.

The first point is, I think in legislation there should be a better and deeper understanding of the nonprofit sponsor to realize the intangible strengths that this sponsor brings to his activity, and especially if it is related to a religious group.

You have here some rather priceless values that cannot be secured with money, and yet ought to be favored in some ways. They have predictability, continuity, and motivation. These factors offer to the Government, serving in the role of an insuring partner, factors and qualities which cannot be secured and do not reflect themselves in the cost sheet, but bring intangible values to the residents of the project they erect.

I think, too, that there is a great experience in a nonprofit sponsor's heritage. He has been serving the elderly. I just opened my own church yearbook before coming over here, and I noted that one of our institutions was started in 1859.

Now, through the years the religious nonprofit sponsor has gained insights, skills, he has trained staff personnel, has national committees reviewing the activities and setting standards for the nonprofit church-sponsored institution. He has pioneered in the field, and he is still pioneering, and he will now walk away from his project.

Also involved in it, as in our project here, are some well-trained, able, and dedicated laymen. They analyze, they reflect, they inspect, and they evaluate.

I am so happy that Mrs. Russell summarized the report of the one committee hearing that I shared in in Sacramento to accelerate these projects. I don't know what you have to do legislatively to make this possible or permissible for a directive for the regional staff, but I don't think it is really necessary for the elderly project sponsor to stand in line with all of the others. Accelerate the processing for these projects.

If there is this crisis in elderly housing, why can't there be a bit more priority given to it? If the need is higher than the number of commercial rentals or profit-oriented projects, why not put them through the pipeline a little faster?

There is nothing sinful about that, nor illegal. We have tried our best not to knock on the FHA regional desk and demand priority treatment, but I do believe that you legislators have the prerogative to say that this should be done on behalf of every nonprofit sponsor.

I am sure that we would be pleased if you would give some directive to save these nonprofit sponsors the penalty in dollars that delays cost.

Furthermore, it is naive and unrealistic for you to pass legislation on any type of housing where you don't include an allowance for organizational and legal costs. They are there. You just make a nonprofit sponsor subsidize it with no way of remuneration. You might make a nonprofit sponsor work without guidance and make mistakes which might cost him a lot more than that counsel would cost the project.

I think that even the 3 percent permitted in the FHA 231 really is not high enough, when you think that there has to be a good deal of work that is done in interpretation.

Perhaps the most significant thing that I would say is my next point. It is interesting, how this point affects all the others, directly or indirectly.

What possibility is there, in your relationship with the Internal Revenue Service, to see that tax exemption is granted for the nonprofit elderly housing sponsor and his program so that, among other things, you will make it legally possible to direct a flow of gifts and bequests to the projects because they are recognized as tax-exempt gifts.

And, secondly, this action would help establish the nonprofit character of this project with the municipal authorities.

Now, as we go in and ask the local tax assessor, just as any sponsor in any city does, he replies, "Well, show me your Internal Revenue Service exemptions." But we do not have it. Why don't we have it? Because they say, "You operate for a year and demonstrate that you are truly subsidizing this project."

Well, I have already indicated a lot of the things we give to the projects are intangible, although some of the things are not so intangible.

Because we are related to a church, some of us bring savings in the financing cost of a quarter of a million dollars. We need that for this project. It won't reflect in the final cost, because labor costs, labor costs in materials, still make it utterly impossible for any nonprofit sponsor to create a project that will price out as a low-rent project. You equate low with the Government-subsidized public housing. But these intangible benefits of such sponsorships really result bringing in dollar savings.

The IRS qualification is so rigid that they demand that you prove that you are subsidizing and giving charity to the occupants at costs greatly below other housing available. Well, what other housing? Slum housing, or 50- or 70-year-old apartment housing? There's a great variance.

You see the dilemma we of the nonprofit sponsor are in. If the IRS rule isn't somehow interpreted, and if you don't guide them, we find ourselves in a strange dilemma.

In the first place, the FHA, HHFA, CFA, or PHA make us demonstrate beyond all doubt that we are a nonprofit sponsor, that we have predictability, in fact, that we are so incorporated.

The State corporation commission makes us demonstrate that and our articles of incorporation make this clear.

Unlike the joke on the card, we started out to be nonprofit, and we intend to stay nonprofit. We only have one reason to exist in the community—to serve people. But if the IRS doesn't recognize this, it ties our hands in a lot of other indirectly related factors.

It is tremendously important, and I cannot overexaggerate it.

The other thing is to clarify through legislation, through guidance and provisions, the role of the FHA and their standards of review so that the nonprofit sponsors will not be subject to the same stringent and sometimes punitive safeguards against an operating deficit, which may be only problematical at best, and which forces a nonprofit sponsor to promise to put up cash that obviously he doesn't have.

Now, I know the difficult role that the FHA underwriting staff, sitting behind me, is playing. They are conditioned by all the FHA has done with every other sponsor they serve. They try to follow

a manual which, at best, is a little fuzzy in handling elderly projects sponsored by nonprofit sponsors.

And what happens to a sponsor like ours when we have a decision made by an underwriting staff which we feel is unbearable? We can take it to the multifamily agency in the region then to the national FHA office.

Mr. Daniels explained to all of us, as one of the other men brought up this specific question the other day, that we do not have to accept the regulations and rules of an administrator's staff in the region. If we feel it is unfair and unwise, we can appeal it.

But why can't there be a clarification in the legislation which recognizes the nature of the nonprofit sponsor, and believes that this venture is not going to fail. Then there would not be such a cautious attitude. For example, why can't they hold off 3 years on the replacement reserve? By being so cautious prices rise right out of the range of people we hope to serve.

My own church synod produced \$387,000 cash in their first venture in elderly housing at Alhambra. When churches are behind projects, and when groups are providing service, they will keep a flow of money coming into it.

I realize the dilemma that the underwriting staff is in. I have high regard for their convictions and for their very difficult position. But I still think they need guidance from the legislature to make a distinction in their procedures.

The administrative decisions that the HHFA and FHA staff has had to make has made it hard for them.

My next point is a very simple one. Why discriminate against single old aged people in 221(D)(3)? Is it a crime to be single or a widow? Is 221(D)(3) only for couples or families? Any sociologist knows a single person is a family unit in the eyes of the law.

I think if you allowed 221(D)(3) to serve single-family units, it would be a wise provision.

My next comment is a brief one. It will be my last.

We have in America, and in our city, a number of older people who are living in apartment units at a price they can afford. Somebody else buys the building. The new owner spends a few thousand dollars—sometimes not very much. He paints the lobby, puts down a few rugs that he buys at a very good wholesale rate, and then he raises the rents \$25 or \$30 a month.

These people are forced to leave because they haven't any additional money for rent in their limited income. The owner has done nothing illegal. There isn't a single law that is broken, except the Golden Rule.

Who is concerned with the people who have some income, some money, but are being priced out of apartments in our communities? It is good business, sure. There is a great demand, for apartment space in the inner city.

But the older people can't match the younger people in this bidding.

Now, what is the answer? Well, the answer is not in criticizing the redevelopment agencies. The redevelopment agency isn't evicting the older people. They just don't have the sponsors building elderly housing. The sponsors don't have the tools to come up with that moderate-rent type of house.

If our project could have qualified for a section 202 loan, our rents would have priced down \$25 or \$30 lower than they are. But the

fact that we couldn't qualify for a 3 percent, 50-year direct loan meant that our rent goes up.

It wasn't anything that we did that forced them up. It is these restrictive stipulations, as I said, parking requirements, and the cost of labor, and overcautious factors in the FHA review.

So if the Redevelopment Agency works with sponsors who have access to better tools for redevelopment, the only people who will profit will be the older occupants, who need it most. The religious, nonprofit sponsor in elderly housing is ready to accept the challenge.

If you will make available to us direct loans at a lower rate of interest, we will meet the housing need without the only alternatives being public housing or poor housing. The people that live there will pay their own way. Then in the years ahead, when costs have been amortized there will be fine projects with rents at the same level or lower than public housing. These will not have cost the taxpayers hundred and hundreds of thousands of dollars, but only that modest amount for the interest differential between commercial money and the direct loan.

I hope I have shared the feeling of all the others that are here.

I didn't want to be critical of the staff we work with, because they are doing their tremendous best. But we who are the sponsors are in a real grave situation, and you legislators have an opportunity to clear it up and improve our position.

Do you have any questions?

Senator Moss. Thank you, Reverend Hidy. The applause you are receiving is well deserved for certainly a clear and concise statement, and some concise recommendations.

You put your finger on some of the problems that we are having now with the religious group-sponsored housing. We have been aware of these in earlier hearings that we have had.

I think you have probably outlined them as precisely for us, though, as I have heard yet in our discussions on the committee. I am sure we are going to have some recommendations on these points that you have recommended to us.

I was particularly interested in this suggestion on getting an IRS ruling. This is somewhat new. The point is very well made, because this could direct a considerable flow of funds into this type of sponsored housing. It certainly would be for the benefit of the whole community and the whole Nation if this could be stimulated for that reason.

I don't know that I have any specific questions.

Do any members of the staff have questions of Reverend Hidy?

Very good. Thank you, Reverend Hidy.

Reverend Hidy. Thank you for the opportunity of coming.

Come out in April to our ground breaking, if the FHA allows it.

Senator Moss. I accept the invitation.

Our next witness is Mr. Robert Boucher.

Is Mr. Boucher here this morning?

(No response.)

Perhaps he will come later this afternoon.

I would like to call on Mr. Gerald Hill, then.

Mrs. Russell mentioned that he was here. He has a statement.

We would like to hear from you, Mr. Hill. Would you come forward, please.

**STATEMENT OF GERALD HILL, EXECUTIVE DIRECTOR, GOVERNOR'S  
ADVISORY COMMITTEE ON HOUSING PROBLEMS**

Mr. HILL. Thank you very much, Senator, for including me on the program.

I intended originally merely to submit a statement, but I would like to take the opportunity to present a short statement.

The Governor's advisory committee on housing problems, of which I was the executive director, terminated in June of this year, but both myself and Chairman Edward B. Eichler, the noted homebuilder who testified before a subcommittee hearing last year, and Senator Geddes whom you heard earlier, have all continued our interest in this subject matter, and particularly are concerned with the subject of housing for the elderly.

At the request of Gov. Edmund G. Brown, the California Legislature created a Governor's advisory commission on housing problems in 1961. The commission, of which I was executive director, brought together a group of outstanding housing, real estate, redevelopment, and financing experts who presented the first statewide study in the State's history, to my knowledge. This report, which I have previously given to the committee staff, tells us some startling and depressing facts about the housing situation for our elderly, even in the prosperous State of California.

President Johnson has declared war on poverty. In light of this, it is fitting that we examine the nature of the financial difficulties of our older citizens.

The Governor's housing commission studied the 1960 census for California and announced that we now have 1,400,000 persons over 65, or 8.8 percent of the population. Of these, 200,000 of these are single men, and there is no Federal housing program specifically to aid them, and 484,000 were unattached women, most of them widows, and there is no Federal housing program specifically for them. We found 63 percent of the elderly households receiving less than \$2,000 a year, and 44 percent getting less than \$1,000 annually. Using the Federal Housing Administration criterion of 20 percent of income properly budgeted for housing, 44 percent of our elderly households should be paying \$17 a month or less for housing. Gentlemen, there is no rental housing in California at that figure, and there is nothing decent at double that amount.

The result is that more than half of our senior citizens who rent pay more than 35 percent of their income for housing, thus unbalancing their budgets for food, clothing, and health care. The housing problem thereby adversely affects their entire living pattern and the housing they occupy is all too often exactly the opposite of what the doctor ordered—unheated walkups, poorly lit, unsafe.

Our senior citizens occupy, by more than double, their share of unsound housing, even among homeowners. While their incomes cannot go up, their housing situation in this State is going to get worse. Since over half of California's homes were built since the war, there is only a small supply of decent older housing to filter down the people of lower incomes, especially the aging. There is actually a shortage of inexpensive, decent housing of any age. Building code enforcement, highway construction, fire, changing use, and redevelopment are reducing this supply.

While assistance to elderly displaced from urban renewal eases their plight, this is only a small part of a much larger problem. The need is to find new methods to assist the thousands of elderly Americans, particularly in the cities, who cannot find decent housing at any price they can afford. They face this dilemma not because they were foolish or careless in their earning years, but because the prices of land, financing, construction, and the short supply of rentals have spiraled up and up where the levels of pensions and social security paid for long ago have not kept pace, and because our Federal housing programs have not kept pace.

Federal public housing, as you heard before, is not the answer in California. For various reasons, the cities vote against increasing the supply. Moreover, only 3,000 units are set aside for the elderly in California out of a total of 25,000, and only about 380 are specially designed for the aged. In San Francisco, only 4½ percent of the public housing units are earmarked for senior citizens.

Because of high land costs, the Community Facilities Administration's 202 low interest rate direct loan program for the elderly project is impossible of use in the urban areas where it is needed the most. Under the current formula for room costs, none of these projects have proved feasible in our city. It would not reach the lower stratum of income, in any event.

The commission, among other things, recommended the following:

First, an inauguration of a rental supplement direct subsidy program for elderly renters who would normally qualify for public housing. This would help bridge the gap between income and the cost of at least decent shelter. The Federal public housing subsidy per unit in California runs somewhere between \$25 and \$33 a month. Why not apply this amount directly to a householder's rent without the stigma of public housing but keeping the recipient in the private market and in his or her neighborhood?

Secondly, reevaluate the formula used to determine costs for the 202 project so they can be built in California cities. Coupled with the rental supplement program, these projects could have a major impact in this State.

Thirdly, apply the direct loan low interest rate principle to rehabilitation loans. The FHA guaranteed rehabilitation loan program is meaningless because lenders won't make loans. There is a direct loan rehabilitation program for rural areas. There should be one for the urban centers. Elderly homeowners need desperately to bring their cherished homes up to standards in their waning years.

Fourthly, in all the programs for elderly housing they extend the benefits to single persons and not just families. Outside of public housing and life-care programs, there are a great number of single persons who could benefit; I might add, not only from a specific program possibly for the elderly, but, as Reverend Hidy says, extending it to the 221 (D) (3) method.

Gentlemen, I know California is very glad to have you here examining these vital questions which affect so many of our people. I am sure you know that we hope that 1964 will see not only increases in existing programs but some new approaches.

Thank you very much.

Senator Moss. Thank you. That was a very excellent statement, Mr. Hill, and we appreciate it.

You underline again the weaknesses that we have heard of from Reverend Hidy and from other witnesses here and you did it very well. Your figures are, of course, very compelling and this will add to our record very considerably.

We were talking earlier about this average figure of \$175 for rental in nonprofit housing installations where services were included. Now, does that include central dining in the average figure of \$175?

Mr. HILL. Frankly, Senator, I can't tell you offhand without going back and checking our own figures on this. When I came here today, Senator Geddes, who was a member of our Commission, was speaking. I don't know if he gave you that figure or not, although he is one of the most knowledgeable persons in the State. He was particularly concerned with this and brought materials to our Commission. I frankly could not tell you.

Senator Moss. I think it was Mrs. Russell that gave the figure.

Mr. HILL. I know Mrs. Russell gave that figure and Mrs. Russell had the materials that we had. I can't go beyond that. I am sorry.

Senator Moss. Well, I just thought you might clarify that for us. This is such a high average figure that it seemed to me it must include the central dining.

Mr. HILL. All I can say is that generally in the State of California there are many elderly projects of this type where we hear lots of complaints that the prices were, for one reason or another, running so high that the vast majority of the people who needed the help the most were not being served by this program.

Senator Moss. Thank you, Mr. Hill.

Our next witness will be Dr. Clark J. Wood, the executive director of the Bayview Manor, Seattle First Methodist Home.

**STATEMENT OF REV. DR. CLARK J. WOOD, EXECUTIVE DIRECTOR,  
SEATTLE FIRST METHODIST HOME, INC., OPERATING BAYVIEW  
MANOR, A RETIREMENT RESIDENCE FINANCED UNDER SECTION  
231, IN THE CITY OF SEATTLE**

Dr. Wood. Thank you for including me.

Senator Moss. We are very happy that you are here. We look forward to your statement.

Dr. Wood. We appreciated the time that you took coming out here in September when you appeared before our American Association of Homes for the Aging workshop in San Francisco.

I am appearing before the hearing at the suggestion of former Senator Gerald P. Nye, who has indicated that testimony in support of what the founder's fee program can do for the elderly can well come from me. I appreciate the privilege of appearing, for I am certain that there is much misunderstanding about the founder's fee approach. To allow this misunderstanding to increase to the extent that it would jeopardize Government financing of programs which use this method would be indeed unfortunate.

We live in a day of change. How great has been this change in our field is evident as we come to realize the adjustment to retirement which has taken place in the past few years.



We are indebted to Geriatric Focus (vol. 2, No. 19) for putting in words what has happened:

While modern medicine has greatly extended life expectancy during the past 60 years, little or no scientific progress has been made in efforts to retard the rate of aging.

The result has been a great increase in the number of people in retirement years who continue to desire to be active but who are cumbered with the infirmities of aging. To meet this ever-mounting need for comprehensive housing and care for older people, a new type of home for the aged has come into being. It differs as much from the traditional old people's home as does the modern hospital's surgical pavilion from the traditional operating room.

Note two things from this:

(1) Longer life: This is dramatized by the fact that the life expectancy of a 65-year-old person (not differentiated as to sex) based upon death records of American life insurance companies during the period 1930-40 was 11.55 years. However, by 1954 the Internal Revenue Service indicated that a 65-year-old man could expect to live 15 years, while a 65-year-old woman could expect to live more than 18 years as contrasted to the 11.55.

(2) These added years are not expected to be infirmity-free years. The rate of aging goes on into the added years, compounding the physical and mental problems of the aged. In my own Bayview Manor, where we have about 233 aged of the average age of 78-plus, 70 percent of these people have charted categorical infirmities or diseases.

Housing which includes a comprehensive program of concern and care has been looked at as one solution to the problems of aging. It calls for a combination "boarding home for the aged" and "nursing home" so that the mounting infirmities of later years can be taken in stride. Such a program is not possible under the terms of section 202. This has led to the development of such Methodist Church programs as Bayview Manor, constructed under section 231, where I am privileged to serve. In these the line between the well and the infirm is indistinct enough so that rehabilitation—the ability to "come back"—is a reality.

Above all, these people need a sense of security based on a knowledge of concerned care. This can be given them only as they enter into signed agreements with responsible corporations whereby the corporations assure the residents that they will take care of their problems clear through physical and mental illness, crippling infirmities, exhaustion of money, and even to death. Any program which falls short of this—for instance, in providing only housing on a month-to-month basis—lacks the ability to give "peace of mind" to the resident so essential to orderly living in retirement years.

Times have changed in yet another way. Thirty years ago when a person reached retirement age his future was almost entirely dependent upon what he had managed to save to that date. Basically this is why the "life care package" was developed which said: "You give us what you have and we will take care of you."

Benevolent and charitable programs expected to receive enough from some people to offset the little they received from others. A refinement of the "life care" package evolved, however, in the more

scientific calculating of life expectancy, multiplying that factor for an individual by estimated cost per year to care for that person, thus arriving at a dollar figure for which the organization would assure life care. The vagaries of inflation, building deterioration, and so forth, have posed almost insurmountable problems for many older organizations which have followed this pattern.

In recent years several new factors have been introduced. First of all the coming of social security and various pension plans has greatly altered the "residue" available to persons facing retirement. Rather than being entirely dependent upon money which has been "stored up" through productive years, much of a person's retirement income is available in monthly increments throughout the span of retirement years.

At the same time a multitude of government regulations, stemming from departments of health on all governmental levels, from fire commissioners, and from financing bodies, have imposed sets of construction and operation minimums which require of the operators of homes for the aged buildings and programs which cannot in any sense be compared with apartment houses or boarding homes. These are all to the good, but the result is a cost factor running up to double that of ordinary habitation structures just to provide essentials for the overall welfare of these people.

It was to meet today's needs that the founder's contribution plan was established. It fits the individual's financial pattern by providing for a partial payment at the start, thereby allowing for construction and financing of buildings which are necessarily so expensive that their costs cannot be achieved through charitable gifts, while at the same time covering operating costs through monthly payments made out of income derived from social security, pensions, et cetera.

The question is often asked, "Why not borrow the entire cost of construction, charge the amortization into monthly payments, and collect no founder's contributions?" The answer is fivefold:

- (1) To borrow the entire amount greatly increases the interest load and consequently the individual's monthly payment.

- (2) It decreases the sense of long-term obligation on the part of the corporation because full value is delivered for each month's payment; there is no residual obligation stemming from a contribution once received "to place a roof over one's head" for the balance of life.

- (3) It could easily jeopardize stability of resident census, so important to financial responsibility. (May I comment there: In dealing with older people, we have learned that they can get a "mad on." If they have no obligations, they can walk out. They should not. They should stay at least until they think it through. If there is a two-way contract, then there is a stability which is necessary.)

- (4) When mortgage payments have first call (as they must) on the operating income and occupancy drops to any great extent, either services must be greatly curtailed or charges greatly increased for those who continue to live in the facility.

- (5) It decreases the all-important sense of security for life on the part of the resident.

Despite these factors we frequently hear the implication from both government and nongovernment officials that somehow the "founder's contribution" way of developing these comprehensive programs lacks validity. Hence we have taken time to go one step further and contrast the cost to the individual served of comparable programs when (a) a "founder's contribution" plus a monthly charge is used, and (b) there is 100-percent financing.

The dollar cost to the individual served is markedly less in the "founder's contribution" program, even though a much greater sense of security is provided. This is true over a wide range of ages. For sake of comparison a common life expectancy table is used, that of the Internal Revenue Service. Comparable programs are provided. Current operating charges at Bayview Manor, Seattle, are used. Any later increase in costs would affect both the same, so no allowance is made for them.

Our figures are developed for a woman 65, a man 65, a woman 70, a man 70, and a woman 75. While it may be true that to develop such an analysis for persons entering at an age considerably above these ages could alter conclusions, this is written off as invalid because any home accepting persons in the eighties is compounding its problems in so many ways that "average costs" are not usable.

Plan (a) is Bayview Manor's current program,<sup>1</sup> using \$9,500 as the basic founder's contribution and amortizing the approximate 60-percent mortgage from future founder's contributions. The mortgage is for just under 40 years. Total cost to resident: \$125 per month, \$1,500 per year after initial contribution.

Plan (b) is identical in scope of care to the above. However, there is no founder's contribution or other initial payment. It calls for 100-percent financing of construction at 4½ percent plus one-half percent FHA insurance, a lower rate than is currently available for such a program. It is for the same length of time. Amortization of the mortgage, reserve for replacements, and property insurance are loaded completely into the monthly charge, prorated at \$100 per month per resident. Total charge: \$2,700 per year.

	Plan (a)	Plan (b)
<b>Woman 65 (expectancy 18.2 years):</b>		
Initial contribution.....	\$9,500	None
Total monthly payments.....	27,300	\$49,140
Grand total.....	36,800	49,140
<b>Man 65; woman 70 (expectancy 15 years):</b>		
Initial contributions.....	9,500	None
Total monthly payments.....	22,500	40,500
Grand total.....	32,000	40,500
<b>Man 70; woman 75 (expectancy 12.1 years):</b>		
Initial contribution.....	9,500	None
Total monthly payments.....	18,150	32,670
Grand total.....	27,650	32,670

<sup>1</sup> Including three well-planned meals a day in the main dining room, all utilities with a house telephone, once-a-week room cleaning, laundry of towels and bed linens weekly, general infirmary care up to 21 days for any one illness or cause with unlimited infirmary care at small additional cost.

It could be pointed out that there is no allowance for possible accrued interest to the individual on the \$9,500 initial contribution. Figured on diminishing balances at 4 percent this would add less than \$2,800 for the woman 70. Even when this is added to the picture, plan (a)—the founder's contribution program—is still the least expensive by far.

None of the above programs contemplates assessment or payment of any real or personal property taxes. Just as is the case with non-profit hospitals, schools, et cetera, imposition of such taxes and consequent addition of such prorated amounts to monthly charges increases those charges to such a great extent that it financially precludes serving the very people for whom the programs are designed.

The much maligned founder's contribution program is the most practical for today's older people because (a) it is the most economical for the individual, (b) it calls for monthly payments which are comparable to income from social security plus pensions and/or interest on savings, to be made as these factors are received, (c) it does not insist on total payment in advance, and (d) it gives the individual served a sense of security so needed by older people.

Certainly in the light of these facts it is apparent that there should be a continued inclusion in Government programs of available financing such as that provided under section 231 of the Housing Act, whereby projects using the founder's contribution approach to comprehensive programing for retirement living can be readily financed.

Thank you. I appreciate the opportunity to make this statement. Senator Moss. Thank you, Dr. Wood.

We are particularly happy to have you give us the detailed explanation and breakdown on the founder's fee and the value that it has. I think you have done that very well.

One of the areas of difficulty, of course, is the recent ruling of the Federal Housing Administration dealing with the founder's fee in section 231 projects.

Dr. Wood. This is exactly why I make this statement.

Senator Moss. That is what we need in our record.

Dr. Wood. May I add, Senator Moss, that we do not believe this is the only approach. Certainly there are several approaches. We have been happy in Seattle to be able to have a 202 unit under construction. The labor unions are doing a wonderful job at putting up the Four Freedoms unit in Seattle. We have several 231 projects either completed or in the process in Seattle. We also are using the public housing program. Within the next 3 years we hope to have a major high rise public housing program for the elderly well under construction or completed. It is snagged in the courts right now. We are using all three and we believe we need all three. Certainly we should not throw out this approach which is extremely valuable to a great many people.

Senator Moss. Your point is very well made. There are a number of approaches and certainly we ought to use all of the avenues that are best adapted for each situation.

Mr. Frantz wanted to make sure that the record didn't reflect that the policy of the FHA prohibited founder's fees. It simply shifts the responsibility to the tenant under the founder's fee agreement.

Dr. Wood. That is right.

Senator Moss. Thank you very much, Dr. Wood. We appreciate this statement very much.

We will be able, I think, to hear Mr. William Goodwin, who is here representing the Episcopal diocese of California.

Would you come forward, please?

**STATEMENT OF WILLIAM GOODWIN, MEMBER OF THE VESTRY IN CHARGE OF THE HOUSING PROJECT, A MEMBER OF THE CHURCH OF THE ADVENT OF CHRIST THE KING, AN EPISCOPAL CHURCH**

Mr. GOODWIN. I am a lay member of the Church of the Advent of Christ the King, an Episcopal church. I am a vestryman there in charge of a little housing project that we have. I am here at the request of our bishop, Bishop James Pike of California.

Senator Moss. We are pleased to have you, Mr. Goodwin.

Mr. GOODWIN. This is in the form of a petition. We want to be very specific because we have a project that is actually in existence.

Subject: A petition to alter the regulations of the HHFA to allow long-term low interest rate loans to nonprofit groups on existing residential rental units.

The petitioner: The Church of the Advent of Christ the King, an Episcopal parish located at 261 Fell Street, San Francisco, close to the downtown section of the city.

The petitioner, about 6 months ago, acquired a three-story and basement frame apartment house of 21 apartments, all with private baths and kitchens, an elevator, central heat and refrigeration. The building is approximately 40 years of age. I should correct that. It is close to 50 years of age. This building adjoins the church property belonging to the petitioner.

The petitioner acquired the property for the ultimate purpose of operating a low rental housing project for senior citizens. However, to acquire the property for the sale price of \$140,000 it was necessary to borrow this amount by pledging part of the petitioner's church property. The terms of this loan are 20 years at 6½ percent with monthly payments of \$1,105.

The rentals necessary to pay expenses, build deferred maintenance reserves, and make loan payments requires a rental schedule of from \$70 to \$100 per month per apartment.

The petitioner is thinking in terms of rentals of from \$30 to \$50, as an ultimate goal, to provide housing for the senior citizens of the low income bracket of from \$105 to \$150. In order to operate with this rental schedule the petitioner must do one of the following:

1. Subsidize the rentals from the parish budget. This is out as the parish budget will not stand the required amount.
2. Wait for 10 to 12 years and refinance the then remaining balance of the present loan on a reduced monthly payment.
3. Obtain now a 40-year 3¾ percent Government loan.

The petitioner recommends the following:

That the HHFA, or other Government agency, provide the loan with the following requirements:

That no renovations to the building be required other than required by city health and fire departments.

That the petitioner be allowed to rent one-third of the apartments at the going rental rate to tenants of all ages and incomes, reserving the balance of two-thirds of the apartments for senior citizens of low income, either single persons or couples.

We favor his plan for the following reasons:

If too many renovations are required of the petitioner, the cost could be such as to require too large a loan, with payments in excess of amount that can be paid on a low rental basis.

Allowing the petitioner to rent one-third at going rentals allows sufficient income, and also the incentive, to maintain the building in a clean and attractive condition, and as this one-third of the rentals can be moved up with going rents this will offset constantly increasing costs of mechanics for maintenance, increased taxes, and other inflationary conditions.

It also would keep the building from having an atmosphere of an old peoples' home, which many people consider is most desirable.

The petitioner has discussed the above with many people who have made a study of the problems of the elderly and they all agree that this is the only way that adequate housing can be provided at a minimum rental, other than public housing projects built by local government, State government, or Federal Government funds.

The present loans available by HHFA and FHA for new construction fill a need for housing for the middle income senior citizens, but new construction is too costly to service loans with rentals for the lower income pensioners.

The petitioner has discussed the above with many people who could encourage so-called inner city churches all through the country to acquire similar buildings with this type of financing desired, and operate the projects with senior citizen programs, using existing church facilities. The Episcopal diocese of California is keenly interested in developing projects such as this.

The need for this type of housing is increasing as time goes on, for as properties change hands at higher and higher prices, now owners find it necessary to substantially increase rents to get a fair return on the investment. This is forcing the elderly on small pensions to live in cheap rooming houses or hotel where baths are shared with several others and where there are no kitchen facilities except hot plates used illegally in the sleeping rooms.

Senator Moss. Thank you, Mr. Goodwin, for presenting this matter to us.

I think the housing amendments last year limited the program to new construction and excluded rehabilitation. That is probably where the problem lies with you. I understand what you are asking and, certainly, it is something that we ought to consider.

When you say that you are paying 6½ percent for your money, I can see right away that this removes it from a low-cost project.

MR. GOODWIN. I would like to add to this, Senator.

In San Francisco, some of our highest priced apartments are frame construction in some of the best locations. There is nothing unsafe about frame construction if it meets with the fire requirements. There are many fine buildings 30 to 50 years of age, apartment houses, that could be retained in this western addition in No. 2 redevelopment. There are many buildings that if they are torn down and redeveloped

are going to force people out into cheap rooming houses, where if they are retained, and if these buildings could be resold by the redevelopment agencies instead of tearing them down, sold to nonprofit organizations with Government financing, this would take care of a good many elderly who are forced out of these redevelopment areas.

Many of these buildings are not ungraceful buildings. They would not deter from the effect of the new buildings and the redesign of the area. This is a very necessary thing to be done. It is the only way that you can get these rents low, with existing buildings. You can't do it with new construction unless the Government is going to subsidize the rent. We think that the matter of making loans to existing buildings of frame construction is very important if you want to get the rents down to a basis where the lowest income elderly citizen can afford to live in a decent apartment.

Senator Moss. Yes. Just one moment. Mr. Frantz has a question.

Mr. FRANTZ. Mr. Goodwin, I am just wondering if you have explored the FHA 231 program for this?

Mr. GOODWIN. We were rejected on that.

Senator Moss. Thank you, Mr. Goodwin. I appreciate your appearing before us.

There was a gentleman who asked to be heard. He said that he wanted to have about 2 minutes time, and that is about what we can take before we have our noon recess.

Would you come forward, sir, and give us your name and let us hear from you?

#### STATEMENT OF ROY P. NEWELL, SAN FRANCISCO, CALIF.

Mr. NEWELL. My name is Roy P. Newell, gentlemen.

I am 73 years old. I wish to explore a segment of this question a little different from the usual segments.

Now, I have lived at 61 Teracito Boulevard, back up here on the hill, since 1937. I am a retired employee from the U.S. Maritime Administration. I was an accountant there for 11 years, so I know how to add and subtract.

In 1962 there was an alleged plumbing deficiency by the city employees of San Francisco in front of my house. There were numerous threats of arrest for the purpose of depriving me of my house and home that I had acquired in 1937. Now, these threats of arrest were so numerous that I went to the plumbing contractors and they said, "For \$2,000 we can do this job for you." But the contract is to be made under duress, and forced labor is not in accordance with the Bill of Rights of the Constitution of the United States.

Now, I went to the plumber who put the plumbing originally in in 1936, and I said, "Will you please get me off the hook?" I say, "Here I am a man of 70 years old and they have threatened me with arrest time and time again." I says, "Spend any amount to get me off the hook."

Well, the plumbers were not interested in it in particular, because, as I say, the contract was made under duress and they were honorable people.

Now, finally, one day a police sergeant and a policeman came to my room just prior to my dinner that night. I was having a little nap,

because a person 70 years old likes a little nap once in a while to keep young. So they had pistols bulging out of the back of their pockets. They wanted to go through my pockets and see if I had any firearms. Well, I don't usually carry firearms. I usually depend upon my protection on account of my age.

Well, anyway, they yanked me or forced me to set aside my glasses. So I said, "Why do you want me to set aside my glasses?"

He said, "Well, because when you get down to jail," he says, "you might take your glasses and cut your wrist."

So I said, "Well, now, that's fine."

So I was asking an attorney about that. I says, "Why did they want me not to have my glasses in jail, behind bars?"

He says, "Well, how much did your glasses cost?"

I said, "\$52.50."

He says to me, "Why don't you, when you want to cut your wrists, get a Coca-Cola bottle and break it and cut it with that?"

Well, anyway, I was thrown behind the bars. I would like to see that we have legislation made that if a person is over 70 years old and is thrown behind bars, that when you get in there and that older person makes the request for toilet paper, that the police officer furnish him with toilet paper.

Now, there are many other facets of this situation. But I appealed to Mayor Christopher and I made representations to Mayor Shelley. I saw Governor Brown in person and asked them all about it. I told them that on eight counts my Bill of Rights had been violated: illegal entry into my home, and using my water and making me pay for the water to test this plumbing, which eventually was proved to be in good condition.

Well, anyway, this persecution lasted since 1962. I am begged by these plumbers now for the contract. I paid \$1,200 and they want \$800 more. So we are holding up the other \$800 on account of purposes of pressure.

Well, anyway, I am a responsible citizen; I have always tried to do what is rational. I have kept this home up in good condition since 1937—that is some 26 years.

Now, it was a miscalculation there by the district attorney who considered me to be an old man, and there was a conspiracy with the plumbing inspector of the city, and J. O'Brien, the district attorney.

Well, anyway, the plumbing inspector and these people all conspired to see if they could throw me out of my house. "Here is an old man. He is supposed to be overdue at Laguna Honda Home."

I don't think I should go to Laguna Honda Home when I am a responsible citizen.

Senator Moss. You ought to be permitted to remain in your home. We hope you can get this straightened out.

This is a city, local problem. It is really something we wouldn't deal with at all in this committee. I have great sympathy for you, but it really doesn't come within our jurisdiction.

Mr. NEWELL. Well, this has to do with housing and when you are in jail that is housing, isn't it?

Senator Moss. Not the best housing there is.

Mr. NEWELL. Certainly being in jail is housing.

Senator Moss. That is true. I can't deny that.



Well, I appreciate you are stating your problem and it is a serious one that I certainly hope you can get cleared up to your satisfaction.

Mr. NEWELL. Well, if you will do me a favor—and you say you will—see Mr. Mayor Shelley about it. I have asked him about it. I think that this should be taken care of. I don't think a person over 70 years old should be thrown in jail, particularly when he is a reputable citizen and a responsible citizen.

Senator Moss. I concur. That seems like very harsh treatment and you shouldn't be subjected to it, so far as I can see. We will do what we can for you.

Thank you very much.

(Whereupon, at 12:10 p.m. the committee recessed, to reconvene at 2 p.m. the same day.)

#### AFTERNOON SESSION

Senator Moss. The hearing will come to order. We will resume this afternoon.

Senator Williams is unable to be with us this afternoon. He has a conflicting appointment. He asked to be excused. We were glad he was able to be with us for nearly all of the morning session.

Our first witness this afternoon will be the Reverend Lawrence Upton, who is secretary of the United Church Board of Homeland Ministries.

Reverend Upton, will you come forward, please?

#### STATEMENT OF REV. LAWRENCE M. UPTON, SECRETARY, UNITED CHURCH BOARD FOR HOMELAND MINISTRIES

Reverend UPTON. Senator Moss, it is a real privilege to appear with this committee.

With your permission, I suggest that the text of this be included in the record of the meeting and perhaps you would permit me then to make some spontaneous comments.

Senator Moss. We will proceed that way. The statement will go in as though it had been read in its entirety and then we will ask you to comment on it or highlight it, as you choose.

Reverend UPTON. Thank you, sir.

It is a privilege to present this statement to the subcommittee concerning the role of voluntary agencies in creating and managing housing facilities for elderly people.

The perspective for these observations comes from my opportunities to consult with dozens of sponsor corporations which are planning and producing new housing for elderly people, from my responsibilities on the advisory committee of the American Association of Homes for the Aging and from my involvement in many institutes and conferences sponsored by the National Council on the Aging. The latest listing of projects under the 231 program of the Federal Housing Administration includes 13 projects in various states of development which are related to the United Church of Christ. Over 2,500 dwelling units and over \$30 million mortgage insurance are involved in these programs. United Church related programs using the direct loan program are in Connecticut, Maryland, Iowa, Indiana, and California. Providing new and specially designed housing for elderly people is the most rapidly expanding program under the banner of the United

Church of Christ, and this is true of many other Protestant denominations.

The Congress has been consistently improving our Nation's ability to provide suitable housing for its elderly citizens in each of its actions since 1956. Each successive change in the law has improved the ability of the nonprofit corporations to provide suitable housing, extend the range of choices, and meet more of the diversified needs of elderly people.

The Government agencies implementing these acts of the Congress have made many advances in the cooperative relationships between the Federal Government and nonprofit agencies. The sponsor's equity requirements have been consistently reduced. Evaluations on marketability have been refined. The processing of applications is increasingly expeditious. Criteria for sponsorship have been clarified and improved. Standards for site selection are increasingly helpful. Exposures to risk, both for the Government agencies and the nonprofit sponsors are being reduced to reasonable limits.

Among the groups with which I work, there is a conspicuous and genuine gratitude for the sensitivity of the Congress to the distinctive needs of the elderly for good housing and to the agencies charged with the implementation of these programs. A very constructive cooperative relationship is being developed between Government and nonprofit agencies in our common effort to meet a massive need in contemporary society.

Several recent changes in policy in the insuring and lending agencies deserve commendation and I want to mention them because some people active in the nonprofit field may have expressed severe criticism on these policies.

Both the FHA and CFA have been increasingly cautious about the sponsor corporations which are eligible to use their credit resources. Their caution is both appropriate and wise, because only the sponsor corporations with continuity, prestige, a constituency, and conspicuous integrity should be permitted to embark on a long-range program of service to the elderly.

The agencies are increasingly alert to the importance of good site selection. Cheap land in remote areas seems to be especially appealing to many unsophisticated nonprofit sponsors. Many facilities for the elderly have imposed serious handicaps for their occupants and financial burdens for the sponsor corporations by a selection of inappropriate sites. The Government agencies have radically reduced these mistakes.

The FHA's decision not to permit sponsor corporations to receive founders of life-tenancy fees or enter into long-term life-care contracts should be applauded. There is every rational reason to support this decision. The FHA has to have a mortgage which can be foreclosed without dishonor and without long-term implied responsibilities. If a housing project fails financially the mortgagee or the FHA, as the insuring agency, must be able to foreclose the project without being in a position of depriving the occupants of substantial sums of money which were contributed on the basis of long-term contracts which the sponsor corporations cannot fulfill. The FHA has not, by this policy, determined that the life-tenancy fee or life-time contract should not be used. It has simply required the instigating body and not the mort-

gagor corporation to assume the responsibilities which are inherent in these contracts.

Many of us in the nonprofit field believe that there are substantial and rational reasons why the founder's fee and life-care contract type of fee schedule is inappropriate. Inescapably the monthly costs for living in a facility for the elderly will be higher under the life-tenancy fee system than where the fees are based on monthly service charges. Many people who defend the life-tenancy fee system will argue that it is more economical, but they, unfortunately, are arguing against simple arithmetic and multiplication tables.

The life-tenancy fee is conspicuously unfair because characteristically the same fee is charged whether a person has a very brief or a very long life expectancy.

Characteristically, the projects which use the life-tenancy fee system are sadly deficient in cost control. Elaborate and excessive amenity and nonrevenue producing spaces are created and many, if not most, of these projects have a development cost far in excess of the mortgage receipts. The expectation of large sums of money from life-tenancy fees provides an almost irresistible incentive to nonprofit sponsors to plan inordinately expensive and elaborate facilities which people of moderate and low incomes simply cannot afford.

Many taxing authorities are changing both law and policy in order to impose full real estate and property taxes on facilities which require large life-tenancy fees. This fresh scrutiny which has its primary focus in facilities which require life-tenancy fees tends to reach over into other facilities for the elderly and the advantage of tax relief, which is an important factor in rent, is in serious jeopardy in many parts of the country.

The life-tenancy fee schedule inevitably reduces the market for a facility for the elderly because only those elderly who both have and are willing to contribute this substantial fee can be admitted.

The life-tenancy fee, since it involves a substantial amount of money tends to limit the freedom of movement of elderly people. If a person, having paid the life-tenancy fee, wishes to find other living arrangements he usually must sacrifice a major portion of his investment if he moves away. Many of us believe that freedom of movement should be encouraged and fostered and that occupants should be able to find more appropriate living arrangements without the imposition of serious financial sacrifice.

While these observations about the life-tenancy fee system do not relate to the FHA's effort to improve its position as insurer of a 231 mortgage, these observations do, I believe, reinforce the validity of this policy.

Certain changes in legislation will greatly assist the nonprofit agency in its effort to provide housing and other services for the elderly. Some of them are already in proposed legislation and have won very general endorsements.

The simple change of permitting detached persons to occupy moderate income rental housing developed under 221(d)(3) of the Federal Housing Administration's program might make it possible for nonprofit agencies to provide rental housing for elderly people who are on modest or even marginal incomes. The advantage of below-market interest would be a boon.

If insured credit for nursing homes could be made available to nonprofit agencies we can expect a radical increase in the number of nursing homes under nonprofit sponsorship which will be well constructed, competently managed, and well staffed. A health service program is an essential component in a well-rounded facility for the elderly. Our present credit resources in the conventional market give us high debt service requirements and the equity requirements in conventional financing are so large that many very worthy sponsors are frustrated in their attempts to create the nursing care programs they would genuinely like to establish.

While all of the assistance programs allow for mortgage credit for 100 percent of the replacement costs, the sponsors must invest a substantial amount of money in what many of us believe should be self-liquidating rental housing. Changes in the law which would permit the lending and insuring agencies to include in the mortgage all of the costs in creating a project would be a conspicuous forward step.

In the FHA 231 program, the sponsor corporation must pay for development costs, much of which is not included in the mortgage under legal and organizational costs. Modest furnishings for the common-use spaces should, at the discretion of the agency and with proper controls, be included in the mortgage. Savings in finance charges and construction costs are now used to reduce the mortgage. If, at the discretion of the Commissioner, these savings could be used by the sponsor for furnishings and equipment and for deficiencies during the "rent-up" period, this could improve the sponsor's ability to create a truly self-liquidating project. The FHA requires 2 percent in working capital. If, at the discretion of the administrator, this 2 percent could be included in the mortgage proceeds (as is done in the procedures of the New York State Division of Housing), the sponsor's investment of funds would be further reduced.

If the Community Facilities Administration's direct loan program, the sponsor must have in hand 3 months' operating costs to cover deficiencies which may occur in the "rent-up" period. This money may be recovered, but it does represent a cash equity requirement I believe is unnecessarily burdensome. Again the furnishings for common-use spaces must come from the sponsor's equity. If, at the discretion of the Commissioner, these equity requirements could be waived and these items could be included in the mortgage receipts the voluntary agency's ability to create a housing program for the elderly would be significantly improved.

The importance of securing a mortgage to cover all of these development costs is not that the sponsor would be relieved of any financial responsibility in the creation of a program, but rather that the sponsor would be enabled to use philanthropic gifts to subsidize persons of special need rather than to subsidize the project. The social investment of the sponsor corporation would then be devoted to assisting individual persons rather than an institution. It is sometimes claimed that a project is more secure if there is a financial investment in the project on the part of the sponsor corporation. My observation would not support this conclusion. Many of the worst mistakes in the housing field for elderly people have been made by sponsors with rather substantial financial resources and many of the best projects developed under the assistance programs were created by sponsor

corporations with very little or no financial investment. I believe we need legislation which will permit and even encourage the agencies implementing the assistance programs to include in the mortgage the entire development cost of a project so that private philanthropy can be invested in subsidies for persons of special need and in meeting deficiencies in the program if and when they occur.

It would help the elderly people in nonprofit housing for the elderly if the interest and taxes which they pay in the rent could be made deductible for income-tax purposes in a manner similar to that which apply to a cooperative or to a single-family homeowner. It would also help the sponsor corporation if they could be granted automatically an exemption under 501-c-3 so that contributions to the nonprofit corporation could be deductible for income-tax purposes. At the present time it is difficult for a sponsor corporation which does not have heavy philanthropic subsidy to achieve this exemption and without this exemption it is difficult for the corporation to secure those philanthropic gifts which would make this charitable service possible because the gifts would not be deductible for income-tax purposes. The financial stability of the nonprofit sponsor would be improved and more charitable service and subsidy could be provided if the nonprofit sponsor were routinely granted an exemption which would attract philanthropic contributions.

The record of achievement of voluntary agencies in serving elderly people is a very commendable one. It is a record which reaches back for over a century. The expansion of housing for the elderly which has been encouraged by the assistance programs has been basically sound financially and socially constructive. The cost to the taxpayer for these assistance programs has been remarkably small (in the FHA program it has cost the taxpayer nothing.)

Yet it is clear that the expansion of housing for the elderly under nonprofit auspices is not moving as rapidly as it was a few months or years ago. The rent level which we can achieve under existing programs is too high for the great majority of elderly people. The supportive health services which the voluntary agency can readily create to accompany the housing facilities are inadequate under the present legislation.

With further refinements of the law and further accommodations to the peculiar nature of voluntary agencies, I believe that the momentum which gathered during the first 5 years of the assistance programs will again increase and voluntary agencies will be able to perform an increasingly effective service in providing housing and other services for the elderly in this cooperative relationship. This is the end of my prepared statement.

My perspective is that of consultant to many agencies which are creating housing programs for the elderly under nonprofit sponsorship, and also that of a member of the Advisory Committee for the American Association of Homes for the Aging, and participant in the National Council on the Aging in many of its institutes.

In the latest report of the FHA program we have about 13 projects which are in our church family, totaling about 2,500 rooms and about \$30 million of mortgage insurance. We also have about six projects under the Community Facilities Administration program so that, from this vantage point, I think I can make some observations from the national point of view.

My first comment would be one of real commendation and appreciation both to the Congress for its sensitivity to the needs of the elderly people, and also to the regulatory, insuring, and lending agencies which are implementing the acts of the Congress. From my point of view, the agencies have been improving in their ability to deal with nonprofit sponsors. Equity required has been reduced and, in general, it has become a more and more workable program. Yet, at the same time, there are critics of these agencies and I would like to use this opportunity to be one of the advocates of both the FHA and the Community Facilities Administration.

One of the points of criticism which comes up concerns the eligibility of sponsors. Sponsors vary from a paper corporation to an agency with long heritage, integrity, and prestige. Both FHA and CFA have become increasingly alert to the requirements of good sponsorship, and both of them have helped us in our refinement of the program so that fly-by-night or paper corporations simply cannot qualify for this credit.

The agencies also are sometimes criticized because of the severe standards on site selection. From my point of view, one of the greatest tragedies in the whole field of housing for the elderly is to permit voluntary agencies to build their facilities on the wrong sites. I would certainly applaud the two agencies in their efforts to refine site selection criteria.

The FHA has also been severely criticized because of its change of regulations which makes the founder's fees, which are secured, payable only to those agencies which are the instigating or parent bodies. They must assume all responsibility for these obligations. This, to me, is one of the most forward-looking steps of the FHA regulations. It helps to clean up the mortgage so that it can be foreclosed without dishonor. It seems to me an entirely acceptable and rational approach, which is backed up by many of the convictions which so many of us have as to the appropriateness of the founder's fee generally.

There are some changes in legislation which would greatly assist our voluntary agencies in their efforts to cooperate with the Government in providing for good housing. I would only underscore what has been said before: That the inclusion of the detached individuals in 221(D)(3) housing projects would be a most forward-looking step. This is a simple change of the law. It has been recommended many times by the administration and by members of this committee. It would help us to have the below market rate credit which would result in a reduction of rent by perhaps \$18 to \$20 per unit per month.

We also need to have mortgage insurance for nursing homes and if the 232 program can be changed to permit voluntary agencies to qualify for this insured credit, we will be able to have a health component which many of us believe is an extremely important factor in any housing program for the elderly.

While all of the assistance programs allow for mortgage credit for 100 percent of the development costs or replacement costs, our sponsors have to invest a rather substantial amount of money in all of them. The amount of money varies from one program to the other. In the the FHA 231 program we have to cover 2 percent of working capital. We have to furnish the amenity spaces, we have to buy equipment, and we have to provide for off-site improvements. This amounts

to several hundred dollars per unit which has to come out of unearned income.

In the Community Facilities Administration program we have to have on hand, or readily available, 3 months of operating costs, and again, all the amenity spaces, furnishings and equipment. In addition to this, we have to cover ourselves for the "rent-up period" during which we achieve full occupancy. These items amount to a considerable sum of money.

Now, if we could have, in law, the permission, at the discretion of the Commissioners of both these programs, the right to have mortgage insurance or direct loans for the entire development costs, it would help us greatly and it would accelerate the program. The motive of this is not to help the sponsor to avoid financial investment, but it is rather a motive of trying to devote this investment to helping and subsidizing persons of special need rather than the total corporation. We need these changes in helping to improve and expand the mortgage credit possibility from these two programs.

The next factor, it seems to me, relates to the policy of the Internal Revenue Service.

The Reverend Ross Hidy mentioned one factor in connection with getting an automatic 501(C)(3) exemption so that corporations could receive deductible gifts. Another factor in this same connection is that we need the advantage of a 501(C)(3) exemption in order that the other bodies, such as foundations church bodies and other philanthropic groups, can, without any question, make allocation to these nonprofit organizations in order to help their program and to give proper subsidy.

Another factor in the Internal Revenue Service and in the tax law would be to permit the amounts of money which are devoted to interest and taxes in nonprofit agencies to be proportionately allocated to each individual who is resident therein and permit those items to be deducted for income tax reasons. An elderly person living in a private home may do this. An elderly person in a cooperative may also deduct his taxes and interest. In a nonprofit home, he may not. It would help significantly if we could have this same privilege afforded to those who live in nonprofit housing.

Now, it is my claim that the voluntary agencies have a very good record in this field. It reaches back, in many cases, for over a century. It predates the legislation for the assistance programs by many, many years, even generations. But it seems to me very clear that the momentum which was gathering during the first few years of this program is not now continuing in the same pace. Many of the agencies which would genuinely like to produce good housing and other services have been frustrated by many factors in the program and also by difficulties which do not relate to the Government program at all.

What we need now, in the proper sequence of all the fine acts of the Congress, is to make those further refinements so that again momentum can pick up and the voluntary agency can again be encouraged to rise to this new opportunity, so that we can join together in this cooperative effort in serving elderly people and serving them well.

Those would be my comments in addition to the statement, Senator Moss.

Senator Moss. Thank you very much, Reverend Upton. That is a very good statement and, together with your full text, will add greatly to the record.

I was interested in your defense of FHA, because almost universally we have had criticism of the section 231 regulations of FHA, feeling that it was curtailing the activities of the nonprofit groups in applying for loans thereunder.

Has your experience indicated that there has been a lessening of applications, or do you know?

Reverend UPTON. Within our church family, I think that we can see no curtailing. From the point of view of the citizen and taxpayer, I really would defend all the protective devices which the FHA is trying to gather for its own mortgage position. I think the FHA was in very, very seriously exposed position when, during former years, the mortgagor corporation could receive founder's fees and make commitments which they were perhaps in no position to fulfill. My defense, therefore, of the FHA's 231 program would be quite consistent and if the mortgage criteria can be changed slightly, as suggested before, I think we would find a very fine response to the FHA program. The administrative offices, I think, generally over the country have been extremely cooperative with our voluntary agencies.

Senator Moss. I believe the information we had before was that in applications that were in process, the regulation was waived in any event, but that it, of course, would apply to any new applications.

Reverend UPTON. That is right. They have been very adaptable in making this changeover as gracefully as possible. It seems to me they have gone farther than their own statement would suggest in being flexible.

Senator Moss. It has been suggested that perhaps you could expand a little bit on your statement that this founder's fee regulation by the FHA is a forward-looking step. Just how do you characterize it as forward looking?

Reverend UPTON. From the point of view of the regulatory agency and insuring agency, it is a forward step primarily in reducing to reasonable limits the exposure of the FHA in those projects which might go sour. If the FHA, or the mortgagee, were to attempt to foreclose the mortgage where substantial amounts of money were contributed as founder's fees, the FHA or the mortgagee would be in a position, almost, of taking people's money away from them even though the law and the fine print to the contrary would be very clear. I just don't see how the FHA could possibly foreclose an agency which has enormous amounts, or substantial amounts of founder's fees without political and public relation problems that are absolutely monumental.

Now, this is not the only reason that many of us would defend the FHA position. More particularly, it is that the founder's fee method of financing has very serious drawbacks. It has a tendency toward a loss of cost control. If a nonprofit sponsor expects hundreds of thousands, or even millions of dollars of founder's fees, the incentive to expensiveness and elaborateness in design is almost overpowering.



This is a serious problem which the FHA, I think, has helped us to avoid.

I do not understand why anyone would defend the founder's fee method because it keeps people living in the place where they paid their money and entered. I can't imagine anyone wanting to keep a person living in the facility from which he wants to move. He would be a problem not only to the other occupants, but to the administration as well as to himself. I think we ought to protect freedom of movement. This is something we have cherished all our lives. I see no reason why this freedom of movement should be sacrificed at the later part of one's life.

One of the other problems is the erosion of our tax position. Our tax position as voluntary agencies is coming under very severe scrutiny in many of the States. The scrutiny has its origin in those agencies which have elaborate founder's fees and where the tax authorities have decided—I think quite rationally—that some of these agencies which have these founder's fees are simply not eligible for tax exemption. But the result has been that it has imposed serious difficulties on all the other agencies, even those which are trying to be rigidly cautious in their cost control and genuinely eager to serve people of a moderate income.

So there are various reasons why the FHA's decision on life tenancy has the backing of many of us in the voluntary field.

Senator Moss. Thank you.

We are glad to have your point of view. This will help us in having the matter entirely before us when we consider it in the committee.

Our next witness is the Reverend Harold Bottemiller, president of the California Association of Homes for the Aging.

**STATEMENT OF REV. HAROLD BOTTEMILLER, PRESIDENT, CALIFORNIA ASSOCIATION OF HOMES FOR THE AGING, ALSO REPRESENTING AMERICAN BAPTIST HOME MISSIONS SOCIETY**

Reverend BOTTEMILLER. Senator Moss, my name is Harold Bottemiller. My position is that of president of the California Association of Homes for the Aging, also director and coordinator for Homes for American Baptist Convention, northern California.

I am also the administrator of the Pilgrim Haven Home in Los Altos.

I have been asked by our denominational leaders to represent the American Baptist Home Mission Society at this hearing.

I wish to apologize for not being prepared to present my remarks in writing, in that I was away on vacation when the invitation came, and just got back. I have tried to formulate a few facts for your consideration today.

This morning I received a communication from our denomination which they suggested I read. At least I shall read part of it, not all of it, as it is too long.

Senator Moss. Well, you could put the entire communication in, if you would like, and then you may read parts of it, if that is what you would like to do.

Reverend BOTTEMILLER. I will call some of it to your attention. There are a few remarks I would like to make.

First of all, we appreciate having this invitation to come to this hearing. We also appreciate having you with us in our regional institute in San Francisco. You made a very fine contribution to our institute.

I think that one thing I might call to your attention is that of a paper presented by Mr. Voigt, the executive secretary of our southern California regional association. This paper sets forth very well our California association position. I would like to invite your attention to the statements in this paper for as we read it over it very well stated our beliefs in this matter of FHA financing relationships. I would like to have this statement go on as a matter of record.

Now, may I say at the outset, that most of those workings in the nonprofit church homes are fraternal, done out of a sense of dedication to the work. We endeavor to find the best possible means of helping the aging during the closing years of their lives. I think that we can put the emphasis where it belongs, in that we feel that the total person should be served rather than just one segment of our aging people. When we emphasize one part of the housing program we are emphasizing the service to one segment of our people. We believe that we need to think in terms of the whole person or the whole segment of our aging over 65 years of age.

I want to read a paragraph from this report mailed in from our denominational headquarters. It may be helpful to include here briefly some facts with regard to our activities in the field of housing for the elderly.

The American Baptists established their first homes for the aged shortly after the Civil War to care especially for mothers who had no adequate place to live and no resources for self-maintenance. This service began with a charitable motive and continues in this character today. Some of our homes are for those who have no resources whatsoever, others are for those who have relatively modest means.

Our recently completed homes for the elderly are not planned as ministries exclusively for the wealthy or exclusively for the indigent, private profit projects and some nonprofit projects provide for those with adequate resources. We are trying to make it possible for those with medical resources and those of modest means to share the capital and operating costs of care, which will make the later years as worry free and useful as possible. This is accomplished through the provision of efficient living units for retired or semiretired individuals who desire lower cost housing in an atmosphere of cordial friendship, common interest, mutual trust, and spiritual assistance.

American Baptist Homes for the Aged have been distinctive in their concern for the health and welfare of the total person. We have not considered it adequate to provide just a room and a hot meal. Cheap housing for the elderly provides essentially no more than the long rows of rocking chairs on the front porch of an old country farmhouse, or a poor farm, if you wish to call it that. Our church-related homes for the aged seek to provide a balance between security and independence which promotes optimum psychological, emotional, and physical health. This involves a full care program of services which is unique and distinctive.

Our recent project in Phoenix, Ariz., has within its first generation of occupants many people of very modest means. But we are using this term frequently, I notice, in here because for some reason or another our homes, especially those that have used founder's fees, and so forth, which Reverend Upton has said is more than the luxury type home, you have to have a lot of wealth to go there. Actually that isn't so.

I notice in another paragraph here it made reference to our home in Santa Barbara that has been in the planning stage for the last 2 years.

It was planned on the basis of founder's fees. They did receive their commitment, even after the new regulation went through, allowing the founder's fee. But their founder's fee was on a very minimal basis, which ran around \$4,000 to \$7,000, which is very modest for a founder's fee, with monthly rates for care that ran from \$160 to \$185 a month, including food, medical care, hospital care, and everything that a person needs.

I might make reference to Mrs. Russell's report. I think it was misunderstood, because I know Mrs. Russell and I believe I know what she was referring to when she said the average rent rate in California was \$175 per month. The \$175 a month, if it had reference to retirement homes, includes complete care as well as just rental for the room or apartment. The average rate available to persons of modest means in California can be found in the price bracket of around \$175 to \$200 which includes meals, lodging and laundry, and in most cases limited medical care. The above services are included in the welfare department's allowance of from \$150 to \$175 per month. Most of our homes receive welfare residents for this allowance, subsidizing the deficiencies from benevolent funds. So it is well within the range of what the welfare department allows us here in the State of California.

In my own particular home where I am the administrator, our rates range from \$150 to \$200 a month. It includes the full services required by people whatever their needs may be. For several years we had life care contracts which recently we have discontinued because financially we found it wasn't feasible. We found that on a monthly rate we were much better off than when we were tying ourselves up to life care contracts. However, life care contracts do have their place.

I am very much in disagreement with Mr. Upton. I think he is off on the wrong base. I have previously told him so. We have argued about this before. I think that founder's fees, life care fees, and entrance fees, and so forth, are very necessary in a new home where there are no financial resources because a good reserve is necessary to the stability of the home. Nonprofit homes do not have the resources for reserves. The churches do not have it. For instance, our particular denomination, we are starting three new homes and if we could not use founder's fees, or entrance fees, or something of this nature, it would be impossible for us to start them, because we don't have \$2 or \$3 million laying around that we could set aside as a reserve. The type of services that we wish to give you can't get 100-percent financing because you can't include services in 100-percent financing. So I think that it is important that we be allowed to function in such a way that we can provide for all types of people and people of all means, for instance, through monthly rates, or through founder's fees, or through entrance fees, whatever the need may be, so that we can get these homes going.

Now, once these homes are established, and the mortgages are reduced through amortization, in time these homes can serve just as some of our older homes do. For instance, we have homes in the East that are 150 years old. They have reserves of a million or more which are used primarily as endowment funds to subsidize the care for the indigent. These homes also are loaning some of these funds to other homes to help them get started in other parts of the United States.

One of our particular homes that I have reference to, regardless of the cost of taking care of the person, charges only \$90 per month.

They take in a person and take care of him the rest of his life for \$90 a month. Well, that is unthinkable in California. But they can do it because they have built these reserve endowment funds.

You can go back into history, and Mrs. Hazard, whom some of you may know, can tell you of the fight and struggle they had in New York during some of the very dry, lean seasons in these homes. Founder's fees seem to have helped us bridge that gap, so that we get established, have a reserve, so that people, if we have numerous cases of illness, and there is a big drain on the home, there is a reserve to take care of it.

For instance, we have a case just recently of a man that came into our home. He was with us for only 6 months. This man took sick and he was in the hospital for 7 weeks. It cost nearly \$7,500 to take care of this man. If we had many cases like that it would soon drain us of all the reserves that we had in taking care of these people. So you need a backlog of founder's fees or entrance fees to create a financial stability.

Now, this paper from the American Baptist denomination goes on at great length to establish our record in building homes and our financial stability and also our gift to this field in developing personnel as leaders in caring for the aging.

Senator Moss. What would your reply be to Reverend Upton's point that if the FHA had to foreclose on a mortgage and there were founder's fees involved that this would place an intolerable burden on FHA?

Reverend BOTTEMILLER. In the first place, I don't think that the denomination of which the church is a member would allow it to default. This, I believe, is one of the moral responsibilities of the church.

In the second place, if it is in the State of California, it is practically impossible, because the State social welfare department audits the books of all life care reserve homes and sees that their reserves are properly safeguarded. Each year the books are audited by the State. They see that the reserves are intact and that the finances are in good shape. So here it is almost an impossibility, unless it might be something very, very unusual.

In this paper, the head of our denomination, our general secretary, says that we have 72 homes and we have never had one of them default in 150 years.

Senator Moss. Which is a very good record.

Reverend BOTTEMILLER. So we don't anticipate any default. I think with proper handling, so far as FHA is concerned, in giving the proper scrutiny to the applicant, I don't think there is any possibility. Any loan given to the American Baptist Convention does not stand in danger of default, because I know our Baptist Home Mission Society, which is a financially responsible agency, has many million dollars in reserve to back up our institutions. They cannot directly guarantee a loan but they will stand by a loan to provide money for operation. They have invested thousands of dollars in Santa Barbara and our other homes until FHA financing commitments come through.

We started a home that I am responsible for in Fresno. We bought 30 acres of land. We hope to finance it through FHA 231. We paid \$135,000 for 30 acres. Right now it is at a standstill because we don't

know whether we can go ahead with FHA or not. We hoped to utilize care and founder's fees. We may have to use some other type of financing if we are not able to do it that way.

But I think personally that if a home is founded by a responsible group of people—I am not talking about paper people—as reference was made, or an individual or single church. I am talking about a denominational agency that becomes responsible for it, which, in our denomination, has to be approved by the denomination before we can get an FHA loan. If that is so, I don't see any possibility of a default. If there is a default, I know for sure that our denomination would stand back of it.

Senator Moss. Thank you.

Reverend BOTTEMILLER. There are one or two things marked here in this denominational paper that I would like to call to your attention further and I would like to make this comment. May I read the closing paragraph or they won't forgive me for not reading what they consider to be their most weighty argument.

Church-related projects have a basic concern for the total welfare of elderly people, which needs to be reflected in the social provisions which our country will enact in the years ahead. If the Federal Housing Administration and the church work together, there can be achieved a common goal and a meeting of a common concern.

That was their final appeal on this.

Now, there are one or two things that I would like to say. We would like you to understand the unique role of the church in serving the aging. May I suggest that suppose, Senator, today our country faced the withdrawal of every church-related home, hospital, and nursing home. The church is the originator of these institutions. As you will remember, some months ago in San Francisco I made the statements that the church was first in providing hospitals, education, and all other types of philanthropic institutions. We have gone a long way and done a fair job but as of now our job is too big and we can't do it without some help. The FHA program is one way of helping responsible nonprofit organizations provide much of the needed housing and care for the aging. I sincerely believe that with the generous help of FHA we can do an excellent job.

The program of care as provided by the Jewish, Catholic, and Protestant homes is superb. The spiritual impact of each particular faith goes a long way in giving any particular group a fine sense of well-being and security. We have a Jewish home in San Francisco that can't be excelled anywhere in the services that they give. It is really outstanding.

I might say that I personally know most of the homes in northern California and the wonderful job that they are doing to care for those who especially need this type of service. I think a true recognition of the fine record of the church and its past performance should be reason for the legislature to continue to provide this type of services to nonprofit organizations such as the church that we have been having through FHA rather than to limit it. I cannot see the reasoning if one fails or even if two fail that the program should be so drastically altered. That is what a guaranteed mortgage is for and what we pay a fee to cover, that the Government may not be out of pocket for a few failures. However, the failures have been so minimal

that I don't think that there is any reason to cry now and cancel the whole thing.

To illustrate—because a few individuals have failed to meet their mortgage obligations FHA has not quit issuing FHA mortgages. I was recently in the San Diego area where the foreclosing of FHA mortgaged homes was becoming a tremendous problem and yet they are still making FHA loans in that area. I think in this field just because there are a couple of failures there is no reason for cutting everyone off. I think we should be more discrete in the loans that are made.

For many years the church has made its way in this field alone. Because of the tremendous increase and the demands of the aging, we can't do an adequate job and we need your help. We need lower interest rates; we need extended principal payments.

The church has the experienced and trained personnel to do the job. We do this without tax money. Our institutions are built without tax money. We don't go to the Government and ask them for money. We just ask them to loan us money and we will repay it in time. If we don't take care of them, the State institutions will have to take care of them, and then the taxpayers will have to foot the bill.

Another thing, don't forget that there are so many different types of housing for all types of people with different types of economy that all these people need to be served. I think that we shouldn't neglect one for the other.

In the State of California, the question was raised about a person who has to stay in a home because he had paid a life care or founder's fee. Well, evidently whoever raised that question doesn't understand the laws of the State of California and the social welfare department. Anyone who signs a life care contract in the State of California has the right in the contract that if they don't want to stay the contract can be broken and they can receive a refund based on the payment of services received.

Senator Moss. Is there a regular formula fixed so they readily can compute what the refund would be?

Reverend BOTTEMILLER. That is right. It is determined by the monthly rate. In the contract at my home there is a penalty of \$500 plus the rate, because we would have to sell stocks or bonds, or something like that, and it would be a loss. So this \$500 is the loss in the sale of bonds, or whatever we have to do to make the refund in the life care contract. But our contract reads 120 days' notice. Any person can leave, unless it is for reasons of illness. Occasionally, if someone takes real sick and is going to die, the children want to pull them out of the home so that they can get a refund. That is the only condition in which they cannot be withdrawn or get a refund. That is a rule in the State of California.

Senator Moss. But it does cost them at least the \$500 penalty to withdraw?

Reverend BOTTEMILLER. Yes. That is, it does in our particular instance. The social welfare department has allowed that in our contract, and I think they are pretty much alike.

Senator Moss. Are there any other questions?

Reverend BOTTEMILLER. I have just about covered the ground. But I do feel very strongly about this matter because I have been working in this field for 11 years. It is a new field in many ways to many people. Geriatrics is a tremendous field. It has a tremendous challenge. Some of us want to make a contribution to it and we have no selfish motive whatever. It is for the best interest of the aged. I am sure your committee wants to see that the aged are the ones that receive the benefit, not anyone else. I know very few people in the non-profit homes that are working selfishly in this program. They are dedicated people and they are working hard to do a good job.

Senator MOSS. Well, I am sure they are. I do know of your long devotion to this problem of providing adequate care, housing and care, for the elderly. We appreciate your coming to share this background with us and bringing this also from your church organization.

Thank you very much, Reverend Bottemiller.

Our next speaker will be the Reverend Reinhold Klein, executive director, Retirement Housing Foundation.

We are very happy to have you, Reverend Klein.

#### **STATEMENT OF REV. REINHOLD H. KLEIN, EXECUTIVE DIRECTOR, RETIREMENT HOUSING FOUNDATION**

Reverend KLEIN. Thank you. Mr. Chairman, members and staff of the Subcommittee on Housing for the Elderly, I am happy for the privilege of speaking on behalf of the concern for the housing of elderly persons shared by the Federal Government, the private sector of our economic structure and voluntary nonprofit associations.

I, for obvious and sufficient reason, have been and am currently associated with a concentrated effort to produce such housing, mortgage insured under section 231 of the National Housing Act.

As has been done previously, we also would at the outset like to pay tribute to the concerned and foresighted legislators who have provided the several Federal vehicles which make such housing possible. We also are grateful for the great number of persons who implement the various programs for which the Housing and Home Finance Agency has responsibility.

On this occasion I am sure it is unnecessary to cite volumes of statistics to substantiate the need for such housing or to cite the economic difficulties involved. I shall restrict myself to the concerns and experiences encountered by voluntary nonprofit agencies in the development of housing accommodations in cooperation with Federal agencies and under Federal programs.

I would first of all like to address myself to concerns evolving out of the National Housing Act directly.

Since members of our association have been active in this field of endeavor since 1956, we have seen the advent of such Federal housing programs and have followed the subsequent amendment and evolutionary processes. With some exceptions, we feel this has resulted in a more effective program.

The establishing of section 231 separate and distinct from section 207 multifamily housing had a good effect.

Providing for 100 percent mortgage insurance possibilities for bona fide nonprofit projects was most helpful.

Section 202 gave those of us who have a great concern for moderate and low income elderly a great lift. I personally was overjoyed, made several trips to the regional office and to Washington, accumulated as much information as I could and had visions of grand and wonderful things.

We found to our dismay, in the processing procedure, that 100 percent financing was a misnomer since a variety of the real unavoidable development costs were excluded from loan proceeds.

We found architectural standards in flux. Once you could build nonhousekeeping units supported by central food and other related facilities, then you could build simple shelter only. Then later it appears one could build a facility which provided for both, if a certain percentage formula was adhered to. Subsequently we lost track and at present I have no knowledge of what type of facilities can be built under the program.

Further complication was encountered in the constant changing of administrative personnel on the national and regional level.

Finally we found that unless one had a bona fide applicant for each dwelling unit and could identify all characteristics related to said applicant such as age, sex, and income, it was impossible to establish marketability. In fact in one instance a project was declined because there was evidence of single family residence foreclosures and a higher than average percentage of vacancies in conventional apartments. This is the fact of some applicants for a 44 unit project.

At this point we gave up and returned to the tried vehicle available under section 231 mortgage insured loans and gave up visions of sub-market interest benefiting elderly persons.

The establishment of the section 232 nursing home program from which nonprofit sponsors have been excluded, has had a restricting influence on the potential of such facilities and accommodations incorporated in section 231 nonprofit projects. It seems strange that the voluntary nonprofit associations which has an ancient, long, and honorable history in the field of medical services, should be excluded from the program. The answer that the nonprofit associations have the Hill-Burton program is not an adequate answer. An examination of the record in California will show that even in this highly populated State the Hill-Burton program has made possible on the average of less than 100 beds per year. And that preference is, and perhaps rightly has been given to convalescent facilities related to general hospitals.

The record also will show that such facilities are more costly as related to both replacement and operating cost than conventional nursing homes. It would appear that unless related to a public general hospital, where there are heavy public subsidies involved, elderly persons of modest or low income cannot be accommodated.

Summarized we are enthusiastic about section 231, have been frustrated in the use of section 202, and have been excluded from the use of section 232.

#### ADMINISTRATIVE DETERMINATIONS AND PROCESSING PROCEDURES

A second area of concern for nonprofit agencies is encountered in FHA administrative determinations, processing procedures, and processing time.



Generally speaking, we have experienced considerate cooperation and are grateful for the assistance given us by a variety of local, regional, and national FHA offices. We feel that the establishing of a regional multifamily Office has had a good effect. We find the personnel selected to staff this Office most competent.

We are, however, disturbed by several factors.

We are aware of the need for recently established procedures to determine sponsorship eligibility and find the forms and exhibits adequate for this purpose. The procedure certainly will weed out ineligible sponsors and mortgagors, but the process adds processing time to projects found eligible.

The preapplication analysis procedure, designed to weed out infeasible projects prior to application and the investment of extensive time and cost by both sponsors and FHA, was necessitated by sponsors (perhaps most often profit motivated) consuming large amounts of FHA time and services on speculative projects.

We do not, however, feel that the required forms, unless substantially supplemented, are adequate for this purpose. Since so little is required on the face of the form, there is great danger that an inexperienced sponsor could cast a project and calculations on paper which at a later date could prove to be both inaccurate and inadequate. We suggest adequate instructions be drawn and comprehensive documentation be required at the time of preapplication analysis.

Sponsor eligibility and preapplication analysis are necessary measures. We hope that they have reduced the amount of wasted time and effort on the part of FHA. We also hope that the conservation of such effort will result in speeding up processing of projects found feasible. To date this has not been the case. The procedure, though necessary, has added 6 weeks to 3 months to an already long processing period.

We used to feel that approximately 1 year from inception to construction was adequate for processing. We allotted 6 months to the sponsor and 6 months to FHA processing. We presently find it necessary to increase this time period to 15 to 18 months and anticipate approximately 10 months of FHA processing time.

We are confused by recently introduced categories and nomenclature resulting in subsidized and nonsubsidized projects. It is our feeling that a mortgage insured project should be structured so as to service the mortgage from operating income. If a nonprofit sponsor is inclined to relieve certain residents from the obligation of paying full cost by contributions from charitable funds, they are certainly privileged to do so to the extent that such funds are available without a formal arrangement with FHA. It appears dangerous to structure a facility and operation with a perpetual built-in deficit.

More recently a subsidy differential device has been established which results in justifying economically marginal projects and to reduce FHA mortgage insurance exposure.

We feel that both the subsidized project and subsidy differential devices are most frequently used to justify projects in which high replacement costs result in commensurate high rentals and costs. It is hoped that FHA processing offices will not insist upon these devices simply to reduce FHA exposure in any and all projects.

The concerns of nonprofit sponsors centered around founder's fees and lump-sum payments by residents I am sure you have heard about.

I shall not treat the subject since our organization does not and has no plans to develop projects other than on a 30-day prepaid basis without lump-sum payments by residents.

#### ARCHITECTURAL STANDARDS

A final area of concern is centered around architectural standards relating to housing for the elderly. From a set of standards closely akin to section 207 they have become much more specific.

Specific standards as to materials and workmanship are generally very good and completely acceptable. Architectural directives recently issued, however, are confusing.

On one hand definite restrictions are placed on the number and ratio of health care or infirmary units to the point where in a project of less than 120 units an infirmary is almost economically infeasible. On the other hand it is insisted that simple housing accommodations must incorporate design features characteristic of infirmary care, such as baths to accommodate wheelchairs and emergency call devices in all bathrooms and bedrooms. These call devices obviously must be connected to a central station manned day and night if the system is to be effective. Such devices are mandatory in board and care of nursing care homes.

Present standards do not encourage, in fact almost do not permit showers in bathrooms. Yet 50 percent of the elderly persons who I have had contact with either physically cannot use a tub or prefer a shower. When measured in terms of safety or marketability the present standards are hard to justify.

At this point there is confusion as to the number of parking spaces, carports, or garages necessary in a project. We can find no FHA insured project in the country with over 50 percent of the residents in possession of an automobile. The national average is 19 percent and yet a local office for lack of information or other standards will insist upon one parking accommodation for each unit whether it is used or not.

As I summarize I would like to end on a positive note. This is obviously in order since the program is a positive program and has produced substantial, measurable, and positive results. We would like to compliment the many people we have met and worked with on both their ability and dedication to purpose.

We would also like to enter the following statements and recommendations into the record:

1. It is our opinion that elderly housing (particularly church sponsored) should offer amenities, accommodations, and services which go beyond simple shelter.

2. Contingencies of an economic, social, and medical nature will arise. The mortgagor and sponsor must have a physical plant and financial program to meet them on either a long-term or short-term basis or face a crisis.

3. Accommodations should be comprehensive and broad in scope to avoid having to uproot elderly persons physically and emotionally each time a contingency arises. They are seeking greater security, not less.

4. The National Housing Act and the Housing and Home Finance Agency should anticipate that in excess of 50 percent of all dwelling

units specially designed for elderly persons will be occupied by persons past age 75.

5. It should be possible for nonprofit sponsors to construct simple shelter, congregate living and health care facilities in one complex, under one mortgage and in a ratio based upon experience rather than arbitrary percentages unrelated to experience.

6. We feel that simple shelter projects offered to elderly persons on a rental basis result in a high financial exposure to sponsors and mortgagors and are an eventual source of disappointment to its elderly occupants.

7. Architectural and unit design standards, although recently reviewed, need additional attention. To force the use of a bathtub and then require an emergency call system in the same bathroom represents opposite ends of a pole to us.

8. Land planning specifications in some instances are not realistic. A single standard is frequently applied in an area of heavy rainfall and in any area of light rainfall. This is typical of other problems.

9. There need to be more concise standards on marketability developed. It is customary for local underwriting offices to close off elderly housing development in an area of obvious need because of an increase of single family foreclosures or an increase in the vacancy factor of conventional walkup apartments. This occurs in the face of the fact that elderly persons, particularly those past 70 or 75 are not candidates to purchase such single family homes and cannot manipulate walkup apartments. I have yet to meet a Federal Housing official with a concise standard for the measuring of marketability of elderly housing.

10. It would appear appropriate to us that nonprofit sponsors should be permitted to participate in the use of section 232 nursing home programs. In many current instances such facilities are being built by builder developers with no operating experience and then offered for lease to nonprofit associations.

11. Section 232, like 231, should be available to nonprofit mortgagors on the basis of 100 percent mortgage insurance.

12. We recommend that in addition to 100 percent mortgage insurance at conventional FHA regulated interest rates, the Congress give consideration to extending submarket interest rates to projects for the elderly which are of economic design, which require no lump-sum payments by residents and will restrict occupancy to elderly persons below certain income levels. This is achieved by FHA under section 221 for low income and relocated families but discriminates against single elderly persons.

In view of the comments made this morning about urban renewal, I should like to add one statement to this prepared statement.

Our organization has been successful in the pursuit and award of a redevelopment land parcel in the Sacramento, Calif., redevelopment project. To achieve this, however, we found it necessary to make two substantial concessions:

Although our proposal was considered to be the most feasible and in the interest of urban redevelopment in Sacramento, we had to raise our land purchase offer to match the highest commercial bidder.

Secondly, because there is good reason to assume that this elderly development will receive real property tax abatement, awarding of

the land parcel was contingent upon an agreement to make annual in-lieu-of-tax payments. Such payment represents, in this instance, 25 percent of the present tax rate, but it added about \$7 a month to the rental structure.

Thank you very much for the opportunity of making these comments. We are confident that this subcommittee, through these hearings and many other procedures, will make a measurable and positive contribution to a continually more effective housing development program for the elderly persons.

Senator Moss. Thank you, Reverend. We appreciate the statement and your experience.

The foundation with which you are serving does not utilize founder's fees at all, I understand.

Reverend KLEIN. No. We find that we can use section 231 and, by following some astute procedures, mortgage out replacement costs and operate without benefit of founder's fees, and still offer every service that is conventional in the full life-care home, including nursing care.

Senator Moss. I see.

On this payment in lieu of taxes: Is that a perpetual in-lieu-of-tax payment or is it just for a limited period?

Reverend KLEIN. No. This one will be for 40 years—the life of the FHA-insured mortgage.

In California our communities use a tax revenue bond procedure to pay the community's share of urban renewal. They are quite jealous that the tax base of the urban renewal project be maintained.

In this particular case there seemed to be adequate revenue to service the bond, and so they determined what their obligations might be. They spread it over 40 years. This is the device which we used.

I don't think we shall ever enter into this type of an arrangement again but we did in this particular case.

Senator Moss. I see.

Could you expand a little on what you have said on page 5 of your statement about the subsidy differential device?

Reverend KLEIN. Yes. This is a new innovation and, I would assume that in certain project instances a necessary one, but, as I understand the subsidy differential, in certain projects FHA makes its calculations as to replacement costs, debt service ratios, and so forth. If it finds that there is a margin of difference between what it will cost to build this project and what represents safe calculations based upon rental income and debt service ratios, the sponsor or mortgagor may be required to deposit a large, maybe in some cases not very large, but a sum of money in a fund, and that in the event of foreclosure this is forfeited.

I think it would be peculiar to projects in which the replacement costs of the facility tended to raise the rental structure to where it wouldn't be too competitive and there would be reason to wonder whether or not a high occupancy ratio could be maintained in such a project. This is the way I have rationalized it to myself anyhow.

Mr. FRANTZ. I want to pursue that just a bit more, Reverend Klein. You say that you feel that the subsidy differential device is most frequently used to justify cases in which high replacement costs result in high rentals. Is this bad?

Reverend KLEIN. No, this is not bad. I would say this is probably desirable. The concern that I have is that if you take a project which

is more modest in replacement costs and it opens the door to the possibility of applying it to any and all projects. This is the only concern that I have. I have no objection to the device.

Senator Moss. Thank you very much, Reverend Klein. We appreciate the statement very much.

The next witness will be Mr. Norris Gaddis, who is the chairman of the committee on housing for the elderly, Social Planning Council of Alameda County. Very glad to have you, Mr. Gaddis.

**STATEMENT OF NORRIS GADDIS, CHAIRMAN, COMMITTEE ON HOUSING FOR THE ELDERLY, SOCIAL PLANNING COUNCIL OF ALAMEDA COUNTY**

Mr. GADDIS. Thank you very much, Senator.

I wish to discuss with you this afternoon an aspect of housing for the elderly that is somewhat different than the trend of discussion that we have heard this afternoon, at least.

I would like to concentrate on the field of design and social aspect of housing for the elderly and how these Government programs might be modified to improve our status in that regard.

I represent the Alameda County Council of Social Planning as the chairman of the housing for the elderly subcommittee. Secondly, I am also an architect practicing in this field and have recently constructed a project under the 202 Community Facilities Administration program and am working on some other projects, and am immediately concerned and vitally interested as a matter of professional practice as well.

This committee of Alameda County has been concerned with this for about 3 years. I do not wish to trouble you with our local specific problems, only to explain that perhaps our experience would be indicative of what other communities are experiencing and, as such, would be of interest to you.

We set out to do a specific job in a specific area, recognizing, first of all, that we would not be able to cover the whole field because it is so vast in its consequences. So we concentrated, after a year of study, on an area of development that we felt would be a tremendous contribution to the total field if it could possibly be done; that is, building housing in small noncongregate-type units, disbursed through a community so that these people would live in these units and have the benefit, first of all, of lower construction costs, and be more vitally connected and involved in community activities.

We have been frustrated in our efforts because the problem has been so vast and, as a single agency, we have not been able in a single community to muster the type of support financially and from a point of view of interest that this sort of thing needs. Therefore, we feel that some kind of Government sponsorship of an effort in this direction, along with Government sponsorship of the more congregate type of housing, would be beneficial to the total picture.

Let me explain first a little more in detail what I feel is needed. It seems to us quite apparent that despite vastly increased construction activity in the field of housing for the elderly, during the past 5 years the most critical and basic needs of our elderly population are, in the great majority of the cases, still being neglected. Sociologically, fi-

nancially, psychologically, the so-called retirement villages, the "Mom and Pop Towns," the huge apartment projects, and even many of the well-managed and well-intentioned congregate-type institutions seem to miss the mark. We are alarmed at the large number of vast new projects which seem to deny the basic needs of our elderly population—to be associated in the normal flow of family and community life at a comfortable scale.

Furthermore, the costs in nearly all of these projects is prohibitive to more than 75 percent of the older residents. We feel strongly that these high rent, high concentrations of the elderly, with congregate dining, recreation, social and cultural activities, with artificially conceived busy work and even busy play projects, although at first appealing are basically eroding to the human spirit. We believe that it is tremendously important to try to shift the emphasis from social isolation of our aged toward promoting involvement in normal patterns of the community activity.

The aged must be provided with human scale housing within their income.

Despite what appears to us to be the obvious need for disbursement of elderly housing in small units within our communities, it is most surprising that, at least to our knowledge, there hasn't been a concerted broad scale program in this direction. So it is exactly with this idea in mind that we have proposed that the Federal Government might become involved in such a program.

We are aware that there is, in section 207, a low-income demonstration housing provision for demonstration projects. We have looked into this and found that there needs to be matching financial funds within the community, which we were not able to muster. Perhaps other communities have had the same experience.

We feel that the accent should be placed on helping people to remain in their neighborhood by: First, catering to a variety of housing needs and, secondly, by creating supportive services for the whole community. We suggest that the low income demonstration housing program is inadequate to meet the overall direction in a natural resource program which requires a breakthrough in the accent against congregate living to make possible low cost, decent housing for all groups, but particularly the aged.

We would like to see a dozen projects in this country, each built to certain specifications and each trying different ways of living; different floor plans, design factors, furniture and equipment.

Too much is said about housing for the elderly that is merely based upon hearsay. We would like to document experience in the field by experimenting with locating housing of small type buildings or projects centrally located in various communities and take data as to the experience that these residents and the sponsors are having with this, so that we will know whether or not this is valid.

We realize that only from 8 to 10 percent of old people ever need housing and congregate living. The largest proportion of old people, that is, from 60 to 70 percent, can and do take care of themselves and live independently all of their lives. There is a group in between these two groups that can live independently in the community if services such as homemaking, services, mobile nursing, and friendly visitors are set up, as in some European cities. We propose that a program of

research and development be instigated which would make this kind of constructive social purpose housing more realizable.

Senator Moss. You feel that the program we have been discussing all stress the communal living and that this should not account for a large percentage, at least?

Mr. GADDIS. Well, we feel there is a definite need for this, don't misunderstand me, but perhaps we are overemphasizing that aspect of the housing to the neglect of some other very important phases of it.

Senator Moss. It is good to have you stress that because I believe we have not had it presented before, that we were perhaps neglecting stimulating this kind of housing in individual units in the community where the elderly people have lived their lives up to that point.

Mr. GADDIS. I notice with concern that some of the sponsors of the church projects who have spoken before me have noted that they are depending less and less on 202 and more and more on 231 because they found 202 difficult to work with. I feel that 202 does perhaps provide for a better opportunity to do the type of thing I am talking about if it were modified. Also, as pointed out by Reverend Klein, if non-profit sponsors could be allowed to build nursing homes in conjunction with an independent facility, these people would have an alternative when they do become ill in a compatibly sponsored facility.

Senator Moss. Thank you, Mr. Gaddis. We do appreciate your testimony. It is very fine.

Our next speaker will be Mrs. Dolores F. Holliway of the Pacific Southwest Regional Council of the National Association of Housing & Redevelopment Officials.

We will be glad to hear from you, Mrs. Holliway.

**STATEMENT OF MRS. DOLORES F. HOLLIWAY, EXECUTIVE DIRECTOR OF THE HOUSING AUTHORITY OF THE CITY OF RICHMOND, CALIF., AND REPRESENTING THE PACIFIC SOUTHWEST REGIONAL COUNCIL OF THE NATIONAL ASSOCIATION OF HOUSING & REDEVELOPMENT OFFICIALS**

Mrs. HOLLIWAY. Thank you, Senator Moss.

I have a prepared speech, which I would like to read, if I may, at this time. First, however, from the comments made earlier today, it would appear to me that you might leave our great State of California with the thought that perhaps because we have a referendum that public housing is dead. This is not true. Although it is an obstacle it isn't one that is insurmountable.

Senator Moss and ladies and gentlemen who share with the distinguished Special Senate Committee on Aging a concern over the housing problems faced by this Nation's growing population of older persons, my name is Mrs. Dolores F. Holliway. I am the executive director of the Housing Authority of the City of Richmond, Calif. I am here today as the designated representative of Mr. Joe M. Sanders, the vice president for housing of the Pacific Southwest Regional Council of the National Association of Housing and Redevelopment Officials, and the approximately 55 housing authorities in the States of California, Nevada, Arizona, and Hawaii which the regional council covers. Alaska, Washington, Oregon, Idaho, and Montana lie within the

Pacific Northwest regional council of our professional housing and urban renewal organization, and are served by the San Francisco regional office of the Public Housing Administration. Together, the nine States comprise what is commonly considered the western regional jurisdiction of the low-rent public housing program, and when I refer to regional figures today, this is the geographic area which is encompassed.

I am sure that Senator Moss and the committee which he represents, as well as most of the people in this hearing today, are aware that elderly persons have always been served by the low-rent public housing program since its inception under the Housing Act of 1937. A fair estimate, I believe, would be that 8 to 10 percent of the homes provided under the low-rent program have been occupied by persons or families whose head of household qualified as "elderly," using the Social Security Act definition of the term. However, in 1956, the public housing law was modified so that a single elderly person became included within the official definition of a "family," and therefore, it became possible for local authorities to admit single elderly persons to occupancy if they had suitable accommodations for them. They also were empowered to build accommodations with special provisions for occupancy by elderly, or to remodel existing accommodations, and extra allowances were made for the expense involved in the special provisions. As a final provision, the local housing authorities were authorized to receive from Federal funds a special allowance of \$10 per month for each unit occupied by elderly persons or families to help them meet the expense of operating these units, if the allowance was needed.

As the executive director of the Richmond Housing Authority, I can testify personally to the wisdom of these provisions, for they have made it possible for us to serve many more elderly persons of low income than we possibly could have housed without them. They have enabled us to take many an older person or couple out of miserable living quarters and give them a bright, clean apartment at a rent their meager pension or retirement income could afford, actually giving them a new lease on life and without question prolonging their useful, independent life. Our experience in Richmond has been duplicated by virtually every housing authority in our region.

Since 1956, the proportion of low-rent homes occupied by elderly persons or families has climbed steadily in the western region to the point that 16½ percent of all units are filled by elderly, while in California the percentage is slightly over 12. This compares with a national average of approximately 22.5 percent, and the obvious explanation is that the postwar western migration has been composed principally of young families, many of them members of minority races who have tended to find at least temporary haven in public housing. It also is true that the overall inventory of public housing was designed mainly for larger families, reducing the proportion which was suitable for accommodating single elderly persons or couples.

These figures come far from telling the complete story, however. In the West, and in California—despite the requirement that every community contemplating the use of the low-rent program to meet its low-income housing needs a vote of the electorate must first be conducted with a favorable result—public housing projects are rising



steadily, more are in the planning stages, and many more are being contemplated.

Of the 18 low-rent projects currently under construction in the region—9 in California—2 include accommodations designated for elderly occupancy. Many of these were actually planned even before the elderly provisions were enacted. But of the 17 projects scheduled to go under construction by June 30 of this year—of which 11 are in California—6 in California include accommodations for elderly, and well over one-third of the total units involved are for elderly.

Looking at the projects which are in the planning stage—all the way from definite preliminary steps up to firm contracts with the Public Housing Administration, there are 56 projects, totaling nearly 6,400 dwelling units in the region, of which 25 projects totaling 2,130 homes are in California communities. Not all of the California projects have passed the referendum hurdle, but most of them have. Again, a full third of the dwelling units are designated for elderly occupancy.

There is still another category—the communities which have advised the Public Housing Administration they are interested in low-rent projects and would like to make surveys to determine the extent of their need for housing for their low-income families and elderly persons. There are 15 of these on the “active—definitely interested” list in the region, and 5 of these are in California. Most, although not all, have given notice that at least part of their interest lies in accommodating elderly persons and couples.

To bring these figures into a little sharper focus, into terms of the San Francisco Bay area where we are today, I should like to point out that virtually all of the housing authorities in the immediate Bay area are building or planning low-rent projects for elderly. My own authority is in the concluding stages of designing a building to accommodate 150 elderly households—either single persons or couples—in a close-in location in downtown Richmond. Our program was overwhelmingly approved in a referendum by the people of Richmond, and it was based upon general agreement that our community had a need for housing to provide adequate, comfortable living environment for the many senior citizens in Richmond who presently are poorly housed in inadequate accommodations or crowded in with sons and daughters or other relatives.

Our neighboring community to the north, San Pablo, also is virtually ready to call for bids on a program expressly for elderly—in their case for 40 units. Contra Costa County's housing authority has received approval from its board of supervisors to begin planning a program for elderly persons in four of their communities. Oakland has just completed a 100-apartment project, and San Francisco is reaching the final stages of planning two projects for elderly which soon will go under construction. Within the past few weeks an advisory committee to the Board of Supervisors of Marin County has indicated its intention to recommend that the Marin County Housing Authority undertake a substantial low-rent program for elderly. Less than a year ago the San Mateo County Housing Authority opened a fine new program for elderly, built with funds accumulated from the operation of relinquished war housing, at Half Moon Bay.

While many of the communities are developing plans for projects which have already been put under contract with the Public Housing Administration, fully as many are still in the earliest stages—some have negotiated the referendum hurdle, others have it still ahead.

My point today is that the low-rent housing program for low-income elderly is a vital, growing program in California as it is throughout the West and throughout the Nation.

Since the referendum requirement became the law in California in 1950, close to 100 communities have submitted low-rent proposals to their electorates, and in two out of three cases the projects have been approved. Two referendums will be held in Merced County later this month, and a number more will be held in the course of the year—all despite the fact that the Public Housing Administration no longer is in position to assure these communities they can allocate units from the nearly exhausted authorization under the Housing Act of 1949.

In California and our other Western States, communities—especially those involved in urban renewal and redevelopment—are growing increasingly aware that many families and many elderly citizens have no hope for that “decent home in a suitable living environment” which was declared to be the national policy in the Housing Act of 1949 without the help of a program like the low-rent public housing program.

I am sure this Special Committee on Aging of the Senate has heard many times before today that the greatest problem before the organizations who are endeavoring to provide housing for elderly under the various programs of Federal assistance is the problem of getting costs down to the level that can be afforded by older persons of modest means. Despite mortgage insurance on liberal terms—even subsidized, below-the-market interest rates—tax forgiveness by generous communities under liberal State laws to nonprofit corporations, and with all the cost-cutting methods the architects and builders can devise, the minimum founders' fees and monthly charges of the least expensive of retirement homes are well above the means of two-thirds or more of our elderly population.

I recognize, as do the administrators and commissioners of the housing authorities in our region and the members of the housing officials' organization I represent today, that the drafting of the Housing Act of 1964 is not the mission of the Special Senate Committee on Aging. Nor is it your purpose today to take testimony on what the provisions of that legislation should be. However, it is our understanding that your committee has a charge to look into the problems of the aging population of our Nation and to study programs—past and future—needed to help the elderly cope with those problems. In the several years for which you have functioned, and through the experiences you have had, the experts and senior citizens you have heard, the studies you have made, you have become the experts, the specialists within the Congress on the problems of the elderly.

Therefore, may I respectfully urge today, that the distinguished members of the Special Senate Committee on Aging, and especially you, Senator Moss, as chairman of the Subcommittee on Housing, give especial attention in your studies and deliberations to the fact that the authorization of the Public Housing Administration to enter into contract with local housing authorities throughout the Nation for low-rent projects for both families and elderly persons is virtually ex-

hausted. Without question the time is ripe for a thorough examination of the Nation's entire housing program and the Federal and local responsibility for extending assistance with housing and urban development problems.

But even more important than a full-scale study and a new comprehensive program is the need for authorization to the Public Housing Administration to continue to respond to local needs for low-rent housing assistance—to enter into contracts for low-rent housing needed to meet the desperate housing need of our low-income elderly who are being displaced by the march of progress toward urbanization, and beset by the steady advance of years which affects dwellings and living environments as surely as it does people.

I might add that it is tragic that people such as yourselves are not able to come into the field with us and visit with these people. I can assure you that those residing in public housing are very thankful for it and there is no stigma attached to it, as far as they are concerned.

I thank you for the privilege of being permitted to be heard before you today.

Senator Moss. Thank you, Mrs. Holliway. That was a very fine report and it is somewhat reassuring to me. I was afraid that California had pretty well precluded public housing with the 1950 law, until you said two out of three of these referendums, when they are held, are successful.

Mrs. HOLLIWAY. That is right.

Senator Moss. This is indicative of the fact that this is needed and is accepted in your communities.

Mrs. HOLLIWAY. One other point I would like to make is: In the establishment of these projects, we have in mind more than the initial occupancy; our tenancy is recurring and we are consistently serving a group of low-income families. Our projects are built to serve at least 40 years. We don't just accommodate the initial group that are housed at the time the projects are developed and completed. There is a consistent housing of people and the need for low-income housing is still there. As I mentioned earlier, for some this is their only hope—public housing.

Thank you.

Senator Moss. Thank you very much. I appreciate your statement. I should call for Mr. Boucher.

(No response.)

Senator Moss. I assume he has not arrived.

We are confronted with a problem. I must leave here at 3:45. That leaves about 5 minutes until I have to recess. Now, I have here a statement that was prepared by Mr. Stuver, president of the National Geriatric Society of California, sponsoring the Seniors of the Golden Gate & State.

Would you like to have this placed in the record as written, Mr. Stuver?

Mr. STUVER. Yes; I would. I would like to add just a word to it.

I do support especially what Phil Burton, the assemblyman, said in regard to the last paragraph there, social security.

The Seniors of the Golden Gate, and all those people in the United States past the age of 65, are victims, not only of 1933, when Roosevelt put the entire country on his payroll and they lost their property and for 10 years they did not have an opportunity to earn it back.

They were victimized again in 1940 or 1950, when the Social Security Act was changed, and today the 1940 dollar that they invested in their social security is only worth about 45 cents.

We feel that, as the assemblyman said—Mr. Burton—that the people have been victimized in three different ways: Through their social security, through the slump in 1933, and also now through the increased rents.

As Mr. Burton said, you get the rent raised when you paint your house, fix up your apartment, then you get a raise in rent because you did so. Then when you move out to another apartment that doesn't cost so much, you find yourself with a new landlord who then raises rent because he knows you haven't got enough money left to move again.

Senator Moss. Thank you, Mr. Stuver. This statement will appear in the record in full as it has been written and handed in.

(The statement referred to is as follows:)

PREPARED STATEMENT OF HARRY L. STUVER

Gentlemen, I am Harry L. Stuver, president of the National Geriatric Society, a California corporation, sponsoring the Seniors of the Golden Gate & State. As I stand before you I am reminded of an incident that took place on the ocean front of Ocean Park, a beach resort in southern California, in 1933 when President Roosevelt closed the banks and put the country on his payroll.

It was a nice sunny day and the walks were crowded. Many people sat around and everybody talked.

"There should be a revolution," one woman exclaimed, and I replied: "Now, lady, do you know who suffers in a revolution? Certainly it is not we big he-men, we get ours. The ones who suffer in a revolution are the women and the children. Do you want that?"

You, gentlemen, came here today to investigate, so I am told, housing for the elderly; those persons who have passed the age of 65 and who live in San Francisco. These are the persons who lost their savings in the days of Roosevelt, and who for 10 long years in that period of time had no opportunity to earn it back.

But they don't want charity. All they want is a comfortable place to live and a return of some of that money lost in 1935.

This property that they lost has not decreased in its first value. In fact, its first value has increased and their resentment is that they who received this property for free now refuse to give it back.

We are not scientists and we have no statistics to offer, such as the progress of the redevelopment agency, the housing project, or lack of medical facilities for adequate medical care, but we feel sure that those persons charged with those projects are doing the best they can under present circumstances.

So we come to you from a different point of view. As everybody knows, there is no shortage of lumber, nails, or concrete. No shortage of labor, or of land.

Therefore, it must be a shortage of funds.

Funds are those moneys set up by Congress with which we pay our bills, funds, such as E bonds, municipal bonds, Federal Reserve bonds, dollar bills, silver dollars, gold in bullion, etc., all classified as things of value which may be moved from hand to hand.

Where to obtain those funds? The only resource is a Federal Government, \$310 billion in debt and whose dollar is worth only 14 cents.

Under the Constitution of these United States, the American Congress is charged with the dual responsibility of care for its citizens and the disbursement of its funds. Responsibility for care means that all moneys shall be spent for useful needs.

Nowhere in the Constitution do we find any authority granting to the Congress the authority to discriminate between its citizens. So it is only natural for you who are charged with this dual responsibility to inquire into how these conditions came to be, and as to how these responsibilities may be met.

As to the first, there are those who will say that: "Government featherbedding of union labor, such as 'an illegal combination in restraint of trade, wherein the Federal Government enacts a principal part,' can be responsible for a large part of it." This governmental illegal combination in restraint of trade is outlined in this simple way. Union labor says: "We want more money." Industry replies: "We cannot pay more money." Then Uncle Sam steps in and says: "Industry, I appoint you to be my special tax collector. Raise your prices. Gauge the public, and pay these people what they have asked for."

It makes no difference. Trade is restrained, for those who can pay the new prices pay, and those who cannot pay must do without.

Governmental featherbedding of union labor which permits a man to loaf on his job has been declared illegal by Federal Judge Alexander Holtzoff, in his decision on the threatened nationwide railroad strike, and this supports the saying that "any man has a right to quit his job, but no man or any group of men have any right to conspire to strike," as a conspiracy to strike for the purpose of to compel, by applying pressure, duress, threats, coercion, any person to part with anything of value is a criminal offense, punishable in every court and cannot be legalized by Congress.

The purpose of this story is to bring to your attention the fact that these people here today, as well as those who are not here who have passed the age of 65, are not only the victims of the 1933 crash, and victims of the foregoing description of a conspiracy in restraint of trade—the right to strike—but victims also of the Social Security Act in that the money they put into their insurance program has been devaluated by the Federal Government to the extent that the 1940 dollar is now worth only about 45 cents.

In conclusion, is it too much to ask: "Who are the members of the gimme-gimme clubs who sit next to you at luncheons? Who meet you on the way to the Capitol? Who waylay you on the steps?"

Certainly, it is not the little woman who is afraid to eat a full meal, because she does not know where her next meal is coming from.

Also, it is just as certain that it is not the aged couple, people who are afraid to look down from the catwalks along the side of the building or the windows of the apartments right there beside you—you can see them from your window—afraid to look down because there is nothing down there to see. The ground is too far away.

With the best of good wishes and the utmost respect, we are, I am, very sincerely for the National Geriatrial Society and the Seniors of the Golden Gate, Harry L. Stuver, president.

Senator Moss. I have been handed a statement prepared by Mr. John Boswell, president of the Boswell-Alliance Co. His company has sponsored housing for the elderly under the FHA 231 program, and we are glad to have this statement based on his experience in this field for our record.

(The statement referred to follows:)

STATEMENT BY JOHN P. BOSWELL, SPONSOR OF THE FOLLOWING FHA 231 PROJECTS:  
FHA No. 136-38001 PM, 260 UNITS, SACRAMENTO, CALIF.; FHA No. 123-38008 PM, 368 UNITS, PHOENIX, ARIZ.; FHA No. 121-38009 PM, 418 UNITS, WALNUT CREEK, CALIF.

My name is John Boswell, president of Boswell-Alliance Construction Co. of San Francisco. Since section 231 of the Housing Act was expanded in 1960 to include profit-motivated projects, we have sponsored and built or have under construction 1,046 apartment units of housing for the elderly. These consist of 260 units in Sacramento, Calif., 368 units in Phoenix, Ariz., and 418 units in Walnut Creek, Calif. The first two projects are in full operation, both being approximately 98 percent occupied. Walnut Creek is presently under construction.

It is my belief that profit-motivated or private enterprise projects, as they should less harshly be called, fill a basic need in housing the elderly which normally cannot be filled by nonprofit or subsidized housing. During the current Senate hearings it has been insinuated that profit-motivated 231 housing could be eliminated from the act. I would like to comment on this unjustifiable point of view.

Most of you will agree that the housing needs of the elderly are like a great spectrum of colors, ranging from minimum cost, subsidized housing for the

impecunious to luxury, life care projects for the affluent. The profit-motivated or private enterprise type project is one small sector in the center of this spectrum, but it is nonetheless essential. To prove this point I only need to reiterate that our 628 units already completed and in operation are experiencing a vacancy factor of only about 2 percent, while other apartment projects in these same areas are experiencing vacancy factors averaging from 15 to 20 percent, and in some cases considerably more.

The following are the basic facts pertaining to our three projects:

1. All apartments are contained in one-story buildings spaced well apart to allow generous landscaping and a park-like "green belt" atmosphere.

2. Each apartment is self-contained, including complete kitchen, bath, sleeping, and living facilities.

3. Rents, including utilities, heating and air conditioning, carpets and drapes, refrigerators and ranges, vary from \$87 to \$137 per month, depending upon whether the apartment is a studio, one- or two-bedroom.

4. Included in each project for the use of all tenants at no additional cost are elaborate outdoor recreational facilities, as well as a large 14-room clubhouse. Complete recreational and educational programs are usually initiated by the management and maintained by the enthusiasm of the residents.

You may ask why these particular projects should be so successful in the face of apparently similar competition. The answer is simple—they meet the needs and requirements of a section of the elderly population which are not met by any FHA or other program. In other words, while providing the right commodity in the right community with the right management at the right price, there are also several additional unique features. First, there is no initial investment, as "life care," purchase, membership or other outlay, merely a rental, usually on month-to-month basis. This gives the occupant a complete sense of mobility. He may move at any time, almost without obligation, if not satisfied with the life or company in his new surroundings or if family or personal matters dictate a change. Remember, our residents are the active elderly and like this freedom. Second, there are no actual or implied qualifications, as belonging to a fraternal order, particular church, or other group. Third, the occupants are largely of the same income group, and hence the chances are better of their having similar interests, hobbies, and backgrounds.

Profit-motivated FHA 231 projects can be most successful when undertaken by an experienced builder-sponsor. This individual or company can draw on a well-experienced past to keep the land planning, architecture, and construction costs within the required (and usually reduced) budget. They can at the same time remain flexible in order to make any desirable changes throughout the construction stages. These advantages enable the sponsor to keep the initial rentals down to a minimum before reaching the point of no return, a fact which is often not possible when the sponsor and builder are either separate entities, inexperienced, or have so many members as to make the governing authority slow in reaching decisions.

I further believe that the size of the project is a direct influence on lower rents and good management. Within limits, the larger the project, the lower the cost per unit for maintenance, management, merchandising, etc. This fact should be recognized in areas which can support such larger elderly communities.

On the subject of financing these projects through the FHA, there is no doubt that this procedure requires much time and money to get into the commitment stage. However, I do feel that the FHA has been much maligned in such matters, since commonsense dictates that its personnel must take adequate time to determine whether the location, design, concept, proposed rentals, etc., are feasible. While the number of projects constructed may thus be reduced, future inadequate communities and consequent foreclosures are kept to a minimum.

The biggest troubles from FHA nonprofit and profit motivated 231 projects are a result of inexperienced and/or ill-advised sponsors. This is borne out by the fact that in our areas successful operations occur almost side by side with completely unsuccessful projects in the same category. As stated, the difference usually comes from differences in concept, location, price of the rental and/or management. It would therefore appear that since the various 231 types of programs are no longer a novelty, the FHA should be permitted and even instructed to look upon proven entities in the 231 field with a more favorable eye from those who have still had no experience along this very technical line. I am sure that most FHA officials would agree with this thinking.

Another item which should be brought to your attention is that when vacancies in most types of multifamily projects are above normal in any area, the FHA tends to shut off all projects, presumably in accordance with directives they have received. Our very small vacancy factor in high vacancy areas should substantiate that a 231 project does not directly compete, for example, with an FHA 207 or any conventional type rental. As such, justifiable expansion should not be penalized on any successful project when there are excessive vacancies in other types of projects, or even when there are vacancies in similar types of projects which have obviously not successfully met the challenge of proper location, concept, rental range, or management.

In closing, I feel that the profit-motivated section of the FHA has a very specific and separate need in the large field of housing for the elderly. Were this not true, the 98-percent occupancy factory of our completed communities mentioned above would not take place. The unique advantage of the correctly conceived profit-motivated housing for the elderly is its appeal to certain active aged groups—largely because it alone provides such freedom of mobility and a knowledge that there is a good chance of being with contemporaries having similar interests and income levels. This type of housing for the lower middle and middle income brackets has not heretofore been available and could not be provided in these rent ranges without FHA financing.

Talks with the occupants of any successful profit-motivated project will back up these statements. They are very happy people enjoying a new life in a community of their peers with pleasures and rents within their financial means.

I thank you.

Senator Moss. Now, if there are others who weren't able to be heard orally who want to submit a written statement it will be made a part of the record. You may do it today or you may mail it in any time within the next week to me or to the committee in Washington. It will be made a part of this record and will be before the committee just the same as all of the testimony that we have had here today.

I do regret that we haven't been able to hear from everyone who would like to speak, but I think you must agree that we have certainly had some excellent testimony and we have had many, many things laid before the committee for recommendations. Where we haven't had unanimity we have had recommendations on both sides of some of the problems. That is the reason for holding these hearings and having committee deliberation, to try to arrive at what are the best solutions.

All of us recognize the problem that we have. We have been making some slight progress, but not nearly enough, in the field of housing for the elderly, and in other areas of care for the elderly people. We will continue this study.

As I announced at the beginning of the hearing, the testimony at this hearing will be printed in full. Any of you can get a copy of it when it is printed, if you would like to, by simply sending a letter in to our committee in Washington.

Let me thank you for being a very attentive and interested audience. You obviously followed closely the testimony and I think in every instance you expressed your appreciation for those who appeared by giving them some applause at the conclusion of their testimony. I think that is a fine thing.

It has been a good experience to be here. I do appreciate it very much.

With that, we will declare the hearing recessed.

(Whereupon, at 3:45 p.m., the committee recessed, subject to the call of the Chair.)

(The following material was later submitted for the record:)

SAN FRANCISCO, CALIF., *January 13, 1964.*

SPECIAL U.S. SENATE COMMITTEE ON AGING.

GENTLEMEN: At its last regular meeting the Jefferson Democratic Club of San Francisco voted to support H.R. 8826, which was introduced into the House of Representatives by Congressman James Roosevelt.

If this bill becomes a law, we feel that the increased purchasing power which would be granted to senior citizens would help to relieve unemployment by increasing sales of consumer goods. This market activity would bring about greater factory production. Thus jobs would be opened up for unemployed workers in both the manufacturing and sales fields.

We urge your honorable committee to give favorable consideration to this bill, H.R. 8826.

Respectfully yours,

J. ARTHUR RAGSDALE,

*Legislative Director, Jefferson Democratic Club of San Francisco.*

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SCHOFIELD, HANSON, BRIDGETT, MARCUS & JENKINS,  
*San Francisco, Calif., January 14, 1964.*

HON. FRANK E. MOSS,  
*U.S. Senator, Washington, D.C.*

DEAR SENATOR MOSS: It is my understanding that at your subcommittee hearings on housing for the elderly on Saturday, January 11, in San Francisco, you indicated that additional letters could be forwarded for consideration. It would be appreciated if these comments could be added to the record.

Much was said at the hearings on Saturday about abuses in the field of housing for the elderly. Undoubtedly, there is need for continued supervision and watchfulness. But we should like to point out that there are many successful nonprofit, normally church-oriented developments, which are doing very fine jobs of providing this needed service for that portion of our population.

We should like to particularly refer to the Sequoias, a project in Portola Valley, San Mateo County, Calif., sponsored by the Northern California Presbyterian Homes. The board of directors, as with other homes of this kind in this area, consists of dedicated responsible members of the community who are devoting thousands of hours without remuneration to solving the needs with which we are here concerned.

This is a modern facility, built and opened in 1961, and presently housing 271 persons with an average age of 75.7. These people are from all walks of life, and we think it would be difficult for you to find individuals who are more satisfied with their manner and way of living. This is one of the projects which is in a rural area, which some of Saturday's speakers disapproved of. We would suggest that a visit to the Sequoias would clearly establish that there is a considerable segment of our senior citizens who prefer country living and do not have a feeling of isolation or deprivation. It is true that others need the city, but there is unquestionably room for both kinds of development.

The above project was financed through the FHA with founders' fees. These fees were absolutely necessary in order to build this facility. Through the use of these private funds we are now able to give service to these people without the use of tax dollars. Too frequently opponents to founders' fees lose sight of two facts: (a) That today's costs of building make it literally impossible to construct very low-cost housing, (b) that in the medium price field the use of these fees permits construction without the necessity for subsidies by governmental entities. In the bay area alone there has been built, or is in the course of construction, housing for around 2,000 people at a cost in excess of \$20 million. These funds are not only an addition to the economy of the area, but in each instance were, in effect, donations to a worthy cause which lessened the necessity for expenditure of tax funds.

We should also point out that in the Sequoias, now that financing is assured, through the use of FHA and founders' fees, we are already in a position and are rendering service to more than 10 percent of our residents at considerably less than the established fee. Some of these have made no founder fee payments, others partial ones, and some no monthly fee payments. As our financial position



continues to become secure this percentage will increase. It is our experience that each of the other church-oriented homes now in construction in this area has the same policy and is thus rendering effective service, not only to provide housing and security for those who have some funds, but is able to use such contributions for the benefit of the less economically situate.

We would urgently suggest that deep consideration should be given to the re-establishment of FHA support for projects with founders' fees. Ample controls can be established to assure the nonprofit status of the sponsors and to safeguard against promotion schemes. Deprivation of FHA support, however, will result in a loss of a much-needed community effort. Projects like the Sequoias, which give complete care, including medical services and hospitalization, as well as food and lodging, are necessary to security, not only of our elder members of society, but to our whole way of life.

Sincerely,

THOMAS M. JENKINS.

